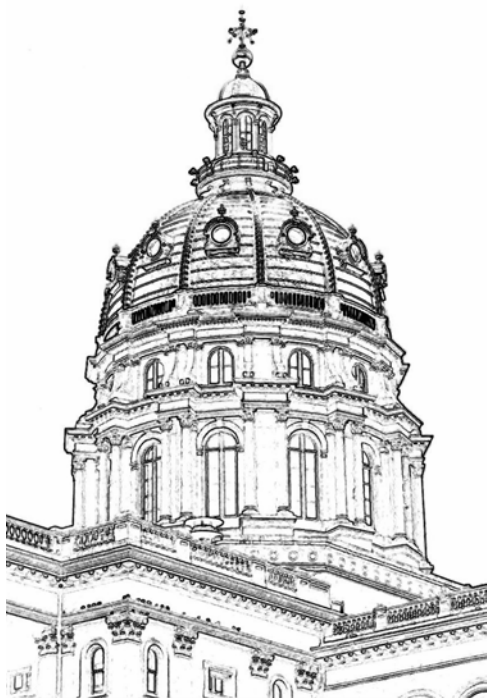


# **Fiscal Facts**

s at [core.ac.uk](http://core.ac.uk)

## **2006**



**IOWA**  
**Legislative Services Agency**  
**Fiscal Services Division**  
**May 2006**

To: Members of the Iowa General Assembly

From: Holly M. Lyons, Division Director  
Fiscal Services Division

Re: Fiscal Facts

Date: May 2006

Fiscal Facts contains data relating to overall revenues and expenditures of State government, as well as detail regarding the most pertinent and discussed topic areas. Additional detailed data and information are available from the Fiscal Services Division of the Legislative Services Agency.

The FY 2006 data are estimates since the document is being issued prior to the close of FY 2006. **The data provided for FY 2007 represents action taken by the 2006 General Assembly, and does not reflect all veto action by the Governor.**

If you would like further information regarding any of the data provided within Fiscal Facts or have any comments and suggestions regarding this document, please do not hesitate to contact me.

# Legislative Services Agency

## Fiscal Services Division

### Staff Listing

**Holly M. Lyons, Director**  
**State Capitol, Room G01**  
**515-281-5279**

Fiscal Services Division Director	Holly Lyons	281-7845
Division Administrator	Doug Wulf	281-3250

#### Committee Assignments

##### Appropriations Subcommittee:

Admin. and Regulation	Jess Benson	281-4613
	Sam Leto	281-6764
	Doug Wulf	281-3250

Ag. and Natural Resources	Debra Kozel	281-6767
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Economic Development	Ron Robinson	281-6256
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Education	Robin Madison	281-5270
	Mary Shipman	281-4617

Health and Human Services	Lisa Burk	281-7942
	Kerri Johannsen	281-4611
	Sue Lerdal	281-7794

Justice System	Jennifer Acton	281-7846
	Beth Lenstra	281-6301

Transportation & Infrastructure	Mary Beth Mellick	281-8223
	Dave Reynolds	281-6934

Appropriations	Sue Lerdal	281-7794
	Holly Lyons	281-7845
	Dave Reynolds	281-6934

Education Standing	Dwayne Ferguson	281-6561
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Government Oversight	Sam Leto	281-6794
	Doug Wulf	281-3250

Ways and Means	Jeff Robinson	281-4614
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# **2006 LEGISLATIVE SESSION OVERVIEW**

**STATE OF IOWA  
GENERAL FUND BALANCE  
(\$ in millions)**

	<b><u>FY 2006 Estimated</u></b>	<b><u>FY 2007 Legislative Action*</u></b>
<b><i>Estimated Funds:</i></b>		
Estimated Receipts		
Rev. Est. Conference (12/05)	\$ 5,712.4	\$ 5,886.4
REC Adj. (03/06)**	143.9	46.2
Transfers & Adjustments	<u>- 0.2</u>	<u>- 10.3</u>
Total Receipts	5,856.1	5,922.3
 Tax Refunds	 - 649.6	 - 581.2
 Accruals	 <u>13.0</u>	 <u>9.5</u>
<b><i>Total Funds</i></b>	<b><u>5,219.5</u></b>	<b><u>5,350.6</u></b>
 <b><i>Est. Appropriations:</i></b>		
General Fund	4,939.7	5,296.3
FY 2006 Supplemental	35.8	
Health Care Transformation Tr.	54.6	
FY 2006 Deappropriations	-3.0	
Reversions	- 12.5	- 12.5
Regents Allocation	<u>2.8</u>	<u></u>
<b><i>Net Appropriations</i></b>	<b><u>5,017.4</u></b>	<b><u>5,283.8</u></b>
 <b><i>Ending Balance</i></b>	 <b><u>\$ 202.1</u></b>	 <b><u>\$ 66.8</u></b>
<i>Approp. To Prop Tax Credit Fund***</i>	159.9	0.0
<b><i>Surplus to Cash Reserve Fund</i></b>	<b><u>\$ 42.2</u></b>	<b><u>\$ 66.8</u></b>

\* Prior to action by the Governor.

\*\* Legislative action notwithstanding statute and permitted the expenditure of 99.0% of the REC adjustment revenue for FY 2006 and FY 2007.

\*\*\*Legislative action created the Property Tax Credit Fund and notwithstanding Section 8.57, Code of Iowa, appropriating \$159.7 million of the General Fund Surplus to the Property Tax Credit Fund. The remainder of the surplus is appropriated to the Cash Reserve Fund.



## THE YEAR IN REVIEW

### FY 2005

Iowa ended FY 2005 with a surplus of \$325.9 million. The revenue growth rate was 5.9% before refunds and accruals; this was typical of other states and slightly below the U.S. average for the states of 6.8%. Of the \$325.9 million surplus, \$159.7 million was deposited to the Property Tax Credit Fund for FY 2006 property tax credits, and \$166.2 million was deposited to the Cash Reserve Fund.

### FY 2006

Revenue growth in Iowa continues to improve in FY 2006, with the Revenue Estimating Conference (REC) estimating growth in total receipts (before refunds and accruals) to be 2.1%, up from the December growth estimate of 1.5%. This is typical of other states, where, according to the National Conference of State Legislatures (NCSL), spending needs are expected to outpace modest revenue growth projections in many states. Iowa continues to fund Medicaid expenditures from non-General Fund sources such as \$65.0 million from the Senior Living Trust Fund and \$35.3 million from the Healthy Iowans Tobacco Trust (HITT).

The 2006 General Assembly passed General Fund supplemental appropriations totaling \$90.5 million for the purposes listed below. In addition, \$3.0 million was deappropriated from the Iowa Veterans' Home resulting in net FY 2006 supplemental appropriations of \$87.5 million:

## THE YEAR IN REVIEW (Contd.)

**General Fund**  
**FY 2006 Supplemental Appropriations**  
**(\$ in millions)**

LIHEAP*	\$ 3.0
Medicaid	73.6
DHS - Clarinda	0.3
Veteran's Appreciation Program	1.0
Veterans Home Ownership Assistance	2.0
Corrections	3.3
Indigent Defense	4.0
Public Safety	1.4
Performance of Duty	1.9
Total Supplemental Appropriations	\$ 90.5
Veteran's Home Deappropriation	-3.0
Net Supplemental Appropriations	\$ 87.5

\*Low Income Housing Energy  
Assistance Program

The projected General Fund ending balance for FY 2006 is \$202.1 million. The General Assembly notwithstanding Section 8.57, Code of Iowa, and appropriates \$159.9 million of the FY 2006 surplus to the Property Tax Credit Fund for payment of the FY 2007 property tax credits. The remaining FY 2006 surplus (\$42.2 million) will be appropriated to the Cash Reserve Fund (\$21.1 million) and the Senior Living Trust Fund (\$21.1million).

**FY 2007**

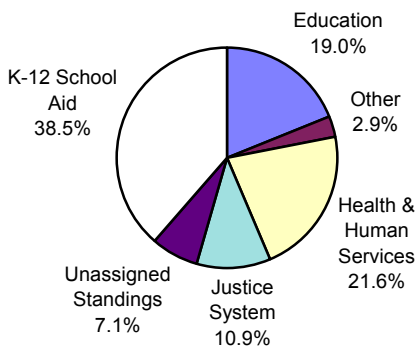
Revenue growth in Iowa is projected to increase slightly for FY 2007. Like many other states, Iowa is cautiously optimistic about revenue growth. The March REC projected growth in total receipts (before refunds and accruals) to be 2.8% for FY 2007. In many states revenues are surpassing estimates, but increases in Medicaid, other health care spending, K-12 education, and federal-to-state cost shifts are outpacing revenue growth rates. According to NCSL, this mismatch between resources and spending continues to cause a structural budget gap in more than half of the states. In Iowa, economic factors have contributed to reductions in the revenue growth rate, but tax reductions and other revenue adjustments enacted by the General Assembly have played a role in reducing the rate of General Fund net

**THE YEAR IN REVIEW (Contd.)**

revenue growth over the past five years and contributing to the structural budget gap.

The Iowa General Assembly appropriated \$5.306 billion from the General Fund for FY 2007. Prior to any item vetoes by the Governor, the projected General Fund ending balance is \$66.8 million.

**DISTRIBUTION OF ESTIMATED FY 2007  
STATE GENERAL FUND APPROPRIATIONS  
(\$ in millions)**




---

Subcommittee	Est. FY 2007 Appropriations	Percent of Total
Admin. & Regulation	\$ 83.6	1.6%
Ag. & Natural Resources	38.0	0.7
Economic Development	29.7	0.6
Education	1,007.0	19.0
Health & Human Services	1,145.4	21.6
Justice System	575.9	10.9
Unassigned Standings	376.7	7.1
K-12 School Aid	2,040.0	38.5
Total	<u>\$ 5,296.3</u>	<u>100.0%</u>

Note:

"Other" includes Administration and Regulation, Agriculture and Natural Resources, and Economic Development.

## TOUCHPLAY

In 2001, Members of the Administration and Regulation Appropriations Subcommittee requested that the Lottery look for new sources of revenue that would not require a change in the statute in order to help balance the State budget. A number of new ideas were developed over the following summer, including monitor vending machines (TouchPlay).



In 2002, the Lottery issued a request for information from any companies interested in assisting the Lottery in developing a prototype machine. The Lottery began conducting field tests of the TouchPlay machines in 2004.

The Lottery signed contracts with four manufacturers to produce TouchPlay machines for distribution in Iowa. The Iowa Lottery's contracts with the manufacturers of the TouchPlay Machines specified that the Lottery would receive 24.0% of the net receipts in FY 2006, 27.0% in FY 2007, 30.0% in FY 2008, and 34.0% in FY 2009.

As of March 1, 2006, there were approximately 6,000 monitor vending machines called TouchPlay Machines, in use in retail establishments in Iowa. Among the most prevalent establishments using these machines were bars, restaurants, fraternal organizations with liquor licenses, truck stops, convenience stores, grocery stores, and bowling alleys. With that amount of machines deployed, the Lottery estimated the machines would generate \$40.0 million in new revenues for FY 2006, \$60.0 million in FY 2007, and \$77.8 million in FY 2009.

Members of the General Assembly began receiving concerns and complaints about the machines being deployed in places where children could see and touch the machines. Additionally, concerns about increased problem gambling and effects on families were raised.

After numerous Committee meetings and a public hearing on the issues involved in the deployment of TouchPlay, the General Assembly passed Senate File 2330 (TouchPlay Act) on March 14, 2006. The Governor signed the Act on March 20, 2006. The Act prohibits the Iowa Lottery from authorizing the use of monitor vending machines. The Act provides that any retailer that has acquired a monitor vending machine prior to the effective date of the Act may only continue to offer the use of the machine for 45 days after enactment. The Act also provides that if any machines are still in operation after

**TOUCHPLAY (Contd.)**

45 days after the effective date, the Department of Revenue is to administer and collect a monitor vending machine excise tax of 65.0% on the net monitor vending machine revenue receipts. The Act took effect on March 20, 2006. May 3, 2006, was the last day the TouchPlay machines were to be offered for use by the public.

**Fiscal Impact**

For the period of time the machines were offered for use during FY 2006, the State received estimated revenue of \$30.0 million, and receipts had reached a weekly level of \$1.2 million dollars.

Source: Iowa Lottery

## TEACHER PAY

During the 2006 Legislative Session, the General Assembly passed HF 2792 (Additional Education Funding Act). The Act increases General Fund appropriations for the Student Achievement and Teacher Quality Program by \$35.0 million each year for three years as follows:

- FY 2007—\$104.3 million
- FY 2008—\$139.3 million
- FY 2009—\$174.3 million

The Act allocates the funding to the various components of the Program for each of the three years, including two new allocations—Market Factor Pay and Pay For Performance.

### Student Achievement and Teacher Quality Program Allocations

(Dollars in thousands)

	FY 2007	FY 2008	FY 2009
National Board Certification			
Awards	\$ 1,915	\$ 1,915	\$ 1,915
Ambassador to Education	85	85	85
National Board Certification Support Program	250	250	250
Total	\$ 2,250	\$ 2,250	\$ 2,250
Mentoring and Induction	4,650	4,650	4,650
Career Dev./Evaluator Training	695	695	695
Add'l. Professional Development Day(s)	10,000	10,000	10,000
Salaries/Professional Development	6,625	6,625	6,625
Market Factor Pay	3,390	7,500	10,000
Pay for Performance	1,000	2,500	5,000
Increase Minimum Salary Levels	3,200	3,200	3,200
Base Salary Support	72,534	101,924	131,924
Totals	\$ 104,344	\$ 139,344	\$ 174,344

Other significant changes to the Student Achievement and Teacher Quality Program Include:

- Increasing the minimum salaries by \$1,000 as follows:
  - Beginning teachers—\$24,500
  - First-year career teachers—\$26,500
  - Other career teachers—\$27,500
- Establishing an initiative to create market factor incentives for classroom teachers to improve salaries to address geographic differences, recruitment and retention issues such as hard-to-staff schools, subject area shortages, and racial and ethnic diversity issues on local teaching staffs.

**TEACHER PAY (Contd)**

- Establishing a Pay-for-Performance Commission within the Executive Branch to review pay-for-performance programs in the public and private sector and design a program using both individual and group incentives. The Commission is required to initiate demonstration projects in ten selected K-12 schools beginning July 1, 2007, and to add 20 additional schools beginning July 1, 2008. The Pay-for-Performance Program will be implemented statewide in FY 2010.

The Commission, in consultation with the Department of Education, is charged with developing a system to track and measure enhanced student achievement and to develop a pay-for-performance plan for teacher compensation, including salary adjustments based on enhancement of student achievement. The plan must identify five levels of teacher performance—superior, exceeds expectations, satisfactory, emerging, and in need of remediation—based on performance standards. Teachers must achieve at least a satisfactory level of performance to receive individual salary adjustments under the Program.

House File 2792 also creates a new Beginning Administrator Mentoring and Induction Program, including an annual General Fund appropriation of \$250,000. School districts will receive up to \$1,500 per beginning administrator to cover a \$500 stipend per semester for a mentor, as well as the costs of implementing the program and the employer's share of contributions to federal Social Security and a qualifying retirement plan.



## WATER QUALITY STANDARDS

The General Assembly passed SF 2363 (FY 2006 Water Quality Standards Act). The Act addresses the State's water quality standards by:



- Specifies that State water must meet one of the three outlined criteria to become a designated stream segment.
- Specifies that remaining State water will be designated as general stream segments.
- Requires the Environmental Protection Commission to adopt administrative rules to define designated uses of stream segments and then adopt water quality standards for each designated use.
- Requires the Department of Natural Resources (DNR) to conduct a use attainability analysis prior to changing a National Pollutant Discharge Elimination System Permit use designation.
- Specifies the DNR will consider social and economic impacts to a community resulting from the assignment of a use designation. The Environmental Protection Commission will adopt administrative rules for the DNR to use to assist in making that determination.
- Allows a regulated entity to use approved alternative technologies to meet water quality standards.
- Specifies the DNR will publish a list of all designated stream segments by December 31, 2006, and if a use-attainability analysis has been completed.
- Requires the DNR to complete a use-attainability analysis for all newly designated stream segments by December 31, 2007.
- Establishes a Watershed Quality Planning Task Force and specifies the membership. Requires the Task Force to submit a report to the General Assembly complete with recommendations by June 30, 2008.
- Establishes a Wastewater Treatment Financial Assistance Program in the Iowa Finance Authority to provide low-interest loans, no-interest loans, or grants to cities and towns for wastewater treatment facilities.

**WATER QUALITY STANDARDS (Contd.)**

The DNR was appropriated \$750,000 from the Environment First Fund for FY 2007 to complete the use attainability analysis on a stream segment. The Iowa Finance Authority was appropriated \$5.0 million for the Water and Wastewater Treatment and Community Development Financial Assistance Program. Both programs were funded in HF 2782 (Infrastructure Appropriations Act).

**MISCELLANEOUS JUDICIAL BRANCH BILLS****House File 729**

House File 729 (Public Pension Omnibus Act) changes how the judges' retirement contribution rate is calculated. Currently, the judges' contribution rate is 5.0% of covered payroll or \$1.1 million. The Bill

increases the judges' contribution rate to 6.0% of covered payroll or \$1.3 million, if the State contributes the required 23.7% of covered payroll or \$5.3 million. In HF 2557 (FY 2007 Judicial Branch Appropriations Act), the State's contribution rate is notwithstanding to 9.16% or \$2.0 million which lowers the judges' contribution to 2.32% or \$516,000. This would increase the judges' take home pay by approximately 3.0%.

**House File 2775**

House File 2775 (Miscellaneous Court Fee Act) requires all counties to charge \$30 for court costs, even if the ticket is dismissed in proof of financial liability cases. This results in approximately \$349,000 in additional revenue to the General Fund. The Act also increases the fee for filing a hospital lien from \$10 to \$20, which results in approximately \$17,000 in additional revenue to the General Fund. The Act increases the mailing fee charged in small claims cases from \$8 to \$10; however, this change is revenue neutral as these are actual costs billed. Finally, the Act creates a \$50 filing and docketing fee for a transcript of the judgment in a civil case; the revenue impact for this change cannot be determined but is anticipated to be minimal.

**House File 2789**

House File 2789 (Judicial Branch Fees and Costs Act) generates \$11.3 million and allocates \$11.1 million to the Judicial Branch, Attorney General's Office, State Public Defender's Office, and the Department of Corrections. The remaining \$213,000 will be deposited into the General Fund.

**New Fines**

House File 2789 increases the fee charged by the clerks of district court for filing and docketing a criminal case from \$30 to \$100 and the court costs/filing fees for a scheduled violation from \$30 to \$50. The estimated

## MISCELLANEOUS JUDICIAL BRANCH BILLS (Contd.)

revenue impact of the \$20 increase in simple misdemeanor court costs/filing fees is \$8.7 million and the estimated revenue impact of the \$70 increase in indictable misdemeanor filing fees is \$600,000. The total revenue generated by increasing court costs is \$9.3 million. The Act also increases the fines charged for simple, serious, aggravated, and Operating While Intoxicated (OWI) offenses by approximately 25.0%. The revenues contained in this Bill are not subject to the 99.0% expenditure limitation rule.

### **Fiscal Impact**

House File 2789 directs the State Court Administrator to allocate \$14.0 million annually, from fees and fines collected by the Judicial Branch, to the Judicial Branch for salaries, maintenance, equipment, and miscellaneous purposes. This is a \$7.0 million increase to the Judicial Branch's current allocation and is in addition to the Judicial Branch's \$123.3 million operating budget appropriation in HF 2557 (FY 2007 Judicial Branch Appropriations Act). The \$14.0 million allocation will be shown in the Judicial Branch operating budget as a receipt, rather than an appropriation.

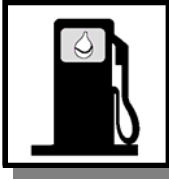
House File 2789 also directs the State Court Administrator to allocate \$3.0 million annually, from the fees and fines collected by the clerks of district court, to the Office of the State Public Defender of the Department of Inspection and Appeals. The funds are to be used to compensate court-appointed private attorneys representing indigent adults and juveniles. The Act creates a matrix providing for a mix of \$5 and \$10 per hour increase over current law. The \$3.0 million allocation is in addition to the General Fund appropriation of \$25.2 million to the State Public Defender in HF 2558 (FY 2007 Justice System Appropriations Act). The \$3.0 million allocation will be shown in the State Public Defender's Office budget as a receipt, rather than an appropriation.

**MISCELLANEOUS JUDICIAL BRANCH BILLS  
(Contd.)**

The Act also directs the State Court Administrator to allocate \$450,000 annually, from the fees and fines collected by the clerks of district court, to the Office of the Attorney General for Legal Services Poverty Grants. The funds are to be used for legal services for persons in poverty. The \$450,000 allocation is in addition to the General Fund appropriation of \$900,000 to the Attorney General's Office in HF 2558 (FY 2007 Justice System Appropriations Act). The \$450,000 allocation will be shown in the Attorney General's Office budget as a receipt, rather than an appropriation.

The Act also directs the State Court Administrator to allocate \$560,000 annually, from the fees and fines collected by the clerks of district court, to the Department of Corrections for the Newton Safe Keepers Program. The \$560,000 allocation is in addition to the General Fund appropriation of \$26.1 million for the Newton Correctional Facility in HF 2558 (FY 2007 Justice System Appropriations Bill). The \$560,000 allocation will be shown in the Newton Correctional Facility's budget as a receipt, rather than an appropriation.

## ETHANOL AND BIODIESEL PROMOTION



The General Assembly passed HF 2754 (Biofuels Promotions Act) and HF 2759 (Biofuels Infrastructure Appropriations Act). Together, the Acts provide tax and infrastructure incentives designed to increase the amount of ethanol and biodiesel consumed in Iowa vehicles.

House File 2754, as amended by HF 2759, creates three new tax credits to promote the sale and use of ethanol and biodiesel in Iowa and sunsets the current ethanol promotion tax credit. The following table provides the projected net General Fund impact of the tax credit changes.

**Net General Fund Impact of Tax Credits**

(In Millions of Dollars)

	Current Ethanol Credit	New Ethanol Credit	New E85 Credit	New Biodiesel Credit	Net Change in Income Tax Credits
FY 2007	0.0	0.0	-0.2	-0.5	-0.7
FY 2008	-0.3	0.0	-1.7	-1.5	-3.5
FY 2009	-0.2	0.0	-5.0	-3.1	-8.3
FY 2010	10.5	-9.3	-7.4	-3.8	-10.0
FY 2011	11.1	-10.2	-11.2	-4.6	-14.9
FY 2012	11.6	-11.4	-8.6	-5.2	-13.6
FY 2013-FY 2026	125.5	-160.8	-93.0	-5.8	-134.1
Total	158.2	-191.7	-127.1	-24.5	-185.1

House File 2759 appropriates funds for costs associated with motor fuel inspection and the installation or conversion of renewable fuel infrastructure. The Act also makes several technical changes to HF 2754. The appropriations in HF 2759 include:

- FY 2007 and FY 2008—\$3.5 million each year from the Underground Storage Tank Fund to provide cost share funds for biofuel infrastructure. The money is appropriated to the Department of Economic Development and deposited in a new Renewable Fuels Infrastructure Fund.
- FY 2007 through FY 2009—\$2.0 million each year from the Grow Iowa Values Fund to provide cost share funds for biofuel infrastructure. The money is deposited in a new Renewable Fuels Infrastructure Fund. Allows the Department of Economic Development to use \$50,000 per year for administration of the Program.

**ETHANOL AND BIODIESEL PROMOTION (Contd.)**

- FY 2007 and FY 2008—\$300,000 each year from the Renewable Fuels Infrastructure Fund to the Department of Agriculture and Land Stewardship to be used for the inspection of motor fuel.

## ENTERPRISE ZONES



During the 2006 Legislative Session, SF 2147 (Enterprise Zones, Location of Projects Act) and SF 2183 (Distribution Center Enterprise Zone Act) were enacted.

Senate File 2147 extends enterprise zone benefits to a business that is located in whole or in part in a zone if the part of the business that is not within the zone is located on contiguous land to the zone.

While the number of new projects that would qualify for enterprise zone assistance under the Act is unknown, one identified project will result in an estimated net State General Fund revenue reduction as follows:

- \$250,000 in FY 2007
- \$960,000 in FY 2008
- \$960,000 in FY 2009
- \$960,000 in FY 2010
- \$960,000 in FY 2011
- \$960,000 in FY 2012

Senate File 2183 extends the March 1, 2006, deadline for cities and counties to apply to the Department of Economic Development (DED) for an area to be certified as an enterprise zone until July 1, 2010. All cities and counties that meet the required distress criteria can apply for a 10-year zone. All cities that no longer satisfy the required distress criteria and have a current zone established can apply for a one-time extension until the complete publication of the 2010 federal census, as specified by the DED.

The Act decreases the required city population from 24,000, to at least three census tracts (approximately 12,000 people) with at least 50.0% of the population in each census tract located in the city, to designate a City Metropolitan Zone, if the zone meets two of the following distress criteria:

- The area has a per capita income of \$12,648 or less, based on the 2000 census.
- The area has a family poverty rate of 12.0% or higher, based on the 2000 census.



**ENTERPRISE ZONES (Contd.)**

- Ten percent or more of the housing units are vacant in the area.
- The valuations of each class of property in the designated area is 75.0% or less of the citywide average for that classification based upon the most recent valuations for property tax purposes.
- The area is a blighted area.

Senate File 2183 also creates a new type of enterprise zone (Transportation Zone) of up to four miles that a city with a population of approximately 12,000 or more can designate for “blighted” areas, as defined by Section 403.17, Code of Iowa, located within four miles of at least three of the following:

- A commercial service airport.
- A barge terminal or a navigable waterway.
- Entry to a rail line.
- Entry to an interstate highway.
- Entry to a commercial and industrial highway network.

Section 15E.192(3)(b), Code of Iowa, provides that the total area of all zones in a county, excluding any business closure areas, must not exceed 1.0% of the total county area. The Act excludes all city zones from the 1.0% calculation.

The Act limits to \$25.0 million, State awards to businesses located in all Transportation Zones in each FY 2008, FY 2009, and FY 2010.

As of December 31, 2005, there were 784 designated enterprise zones in 40 counties and 17 counties with City Metropolitan Zones. There have been 437 awards including 161 business awards and 276 housing awards.

Senate File 2183 is estimated to reduce State General Fund Revenue as follows:

- \$17.0 million in FY 2008
- \$20.9 million in FY 2009
- \$24.9 million in FY 2010
- \$28.8 million in FY 2011

## **SOCIAL SECURITY AND RETIREMENT INCOME TAX BILL**

The General Assembly passed SF 2408 (Social Security and Retirement Income Tax Act). The Act provides the exemption of all Social Security income from income taxation. The exemption is implemented through an eight-year phase-out, beginning tax year 2007.

The Act also establishes an income threshold for taxpayers age sixty-five and over. The threshold is established at \$18,000 (single) and \$24,000 (married/other) for tax years 2007 and 2008. Beginning tax year 2009, the threshold is raised to \$24,000 (single) and \$32,000 (married/other). For married taxpayers, only one spouse needs to meet the age requirement to qualify for the threshold.

The threshold allows taxpayers with incomes below the established amount to pay no State income tax. There is also a provision to allow taxpayers with income just above the thresholds to receive some tax reduction benefit. In calculating the threshold, taxpayers must include all pension income and also Social Security income exempted under the provisions of this Bill.

The Act is projected to reduce net General Fund revenue by the following amounts:

- FY 2007—\$11.9 million
- FY 2008—\$34.1 million
- FY 2009—\$44.3 million
- FY 2010—\$62.6 million
- FY 2011—\$72.5 million
- FY 2012—\$83.0 million
- FY 2013—\$94.7 million
- FY 2014—\$107.9 million
- FY 2015—\$118.1 million

The Bill will also reduce revenue raised by the local option income surtax for schools as the surtax is calculated based on State tax liability. Revenue from the surtax is distributed to school districts who have implemented the tax. Statewide, the surtax averages 3.0% of State tax liability.

# **GOVERNMENT FINANCE AND TAXATION**

## EXPENDITURE LIMITATION



In the 1980s and early 1990s, Iowa experienced serious financial problems including tax revenues below expectations; expenditures above budget; and a lack of reserves. The Legislature established spending limits and reformed the budget process restoring fiscal integrity, improving cash flow, and creating balances in reserve funds.

The Governor and the General Assembly have statutory responsibility to balance the budget. In 1992, several statutory reforms were enacted to provide long-term solutions to the State's budget problems. These included the "Expenditure Limitation" laws.

- Spending is limited to 99.0% of adjusted revenues, 95.0% of any new revenue implemented in a fiscal year, and any carry-over from the previous year.
- The Governor and the Legislature are required to use the revenue estimates agreed to by the December Revenue Estimating Conference or a later estimate during the legislative session, if it is lower, as a basis to determine the General Fund budget for the following fiscal year. If the General Assembly holds an Extraordinary Session, the lower estimate applies, and the Governor and General Assembly are required to use the lower estimate.
- In HF 2797 (Standing Appropriations Act), the General Assembly notwithstanding the requirement to use the December REC estimate, permitting the use of the March REC estimate in calculating the expenditure limitation. This added \$46.2 million (99.0% of the \$46.6 million) to the FY 2007 expenditure limitation.
- Three reserve accounts or funds have been created: the Cash Reserve Fund; the GAAP Deficit Reduction Account; and the Economic Emergency Fund (Rainy Day Fund).
- Expenditures from these reserve funds are limited by statute.

## **IOWA'S RESERVE FUNDS (RAINY DAY FUNDS)**

### **Cash Reserve Fund**

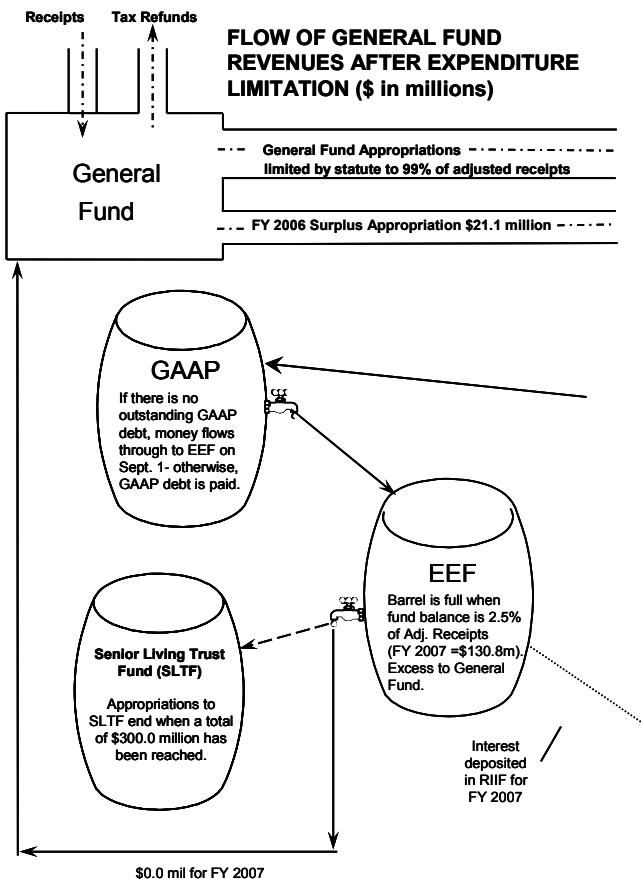
- The year-end General Fund Surplus (ending balance) is appropriated to the Cash Reserve Fund. Beginning in FY 2006, an amount equal to 1.0% of the adjusted revenue estimate is appropriated from the General Fund Surplus (ending balance) to the Senior Living Trust Fund before funds are transferred to the Cash Reserve Fund. If the surplus is less than 2.0% of the adjusted revenue estimate, then the amount appropriated will be equal to one-half of the surplus. The appropriation to the Senior Living Trust Fund will continue each year until a total of \$300.0 million has been appropriated.
- The maximum balance the Fund may attain is equal to 7.5% of the General Fund adjusted revenue estimate, as established by the December REC.
- Moneys in the Cash Reserve Fund may be used for cash flow purposes but shall be returned by the end of the fiscal year.
- Expenditures from the Cash Reserve Fund are limited to nonrecurring emergency expenditures.
- For FY 2007, the General Assembly notwithstanding Section 8.57, Code of Iowa, which requires the ending General Fund Surplus to be appropriated to the Cash Reserve Fund and appropriated \$159.9 million of the Surplus to the Property Tax Credit Fund for property tax credits. The remainder of the Surplus is appropriated to the Cash Reserve Fund and the Senior Living Trust Fund.

### **Generally Accepted Accounting Principles (GAAP) Deficit Reduction Fund**

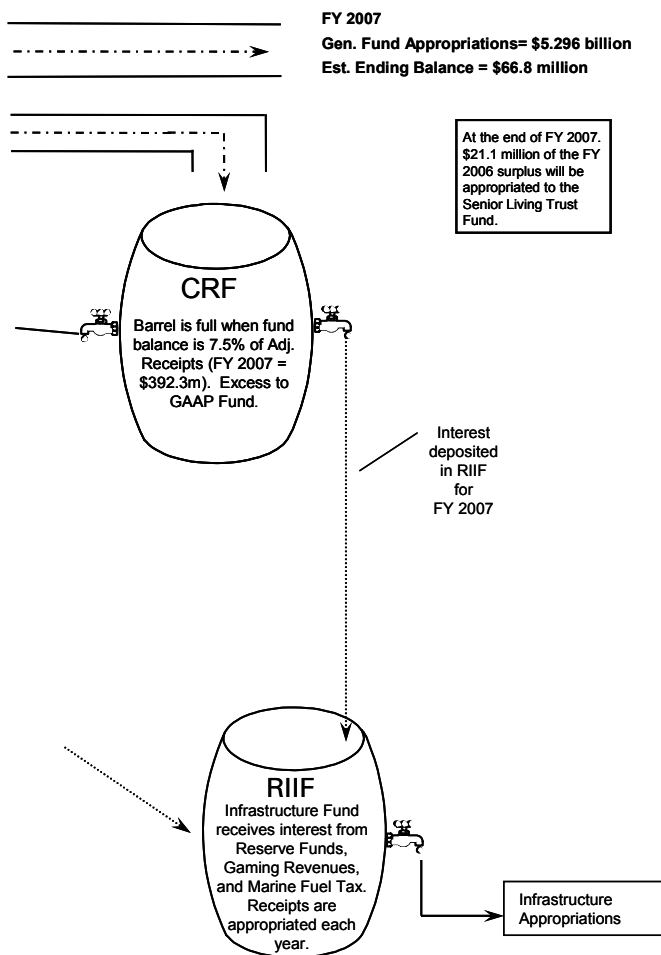
- Unexpended money from the General Fund, after the Cash Reserve Fund target is made, is also deposited to the GAAP Fund.
- Funds are appropriated for the purpose of eliminating the State's GAAP deficit. The GAAP deficit was eliminated during FY 1995.

**IOWA'S RESERVE FUNDS  
(RAINY DAY FUNDS) (Contd.)****The Economic Emergency Fund**

- Established in 1984 and modified in recent years.
- The maximum balance the Fund may attain is equal to 2.5% of the General Fund adjusted revenue estimate.
- Once all GAAP obligations are retired, remaining funds are credited to the Economic Emergency Fund.
- Moneys in the Economic Emergency Fund may be used for cash flow purposes but shall be returned by the end of the fiscal year.
- Spending from the Fund is limited to emergency expenditures.
- Allows for an appropriation from the Economic Emergency Fund to reduce a negative ending balance in the State General Fund. The appropriation is limited to \$50.0 million and is contingent upon certain circumstances.
- Moneys in excess of the maximum balance are to first be transferred to the Senior Living Trust Fund (SLTF) until the balance of the SLTF reaches \$300.0 million. Once this requirement is met, the excess moneys are transferred to the General Fund.



After the \$300.0 million limit to the SLTF has been reached, the excess from the EEF flows to the General Fund.





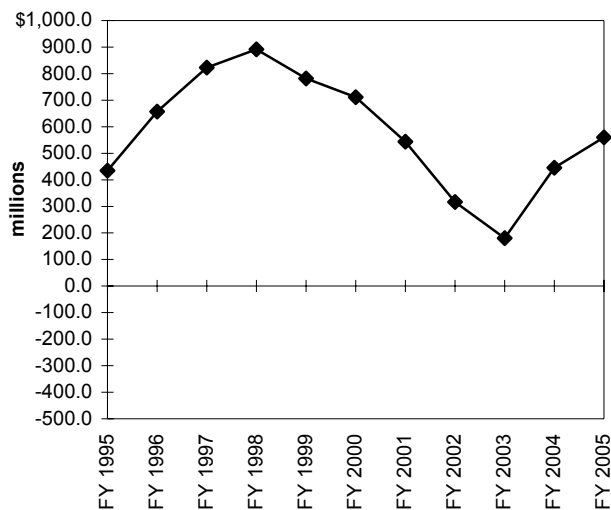
**Cash Reserve Fund**

	<u>FY 2006</u>	<u>FY 2007</u>
Balance Forward	\$ 222.3	\$ 367.7
Gen. Fund Surplus	166.2	21.1
Total Revenue	<u>\$ 388.5</u>	<u>\$ 388.8</u>
Transfer to EFF	-20.8	0.0
Ending Balance	<u>\$ 367.7</u>	<u>\$ 388.8</u>
Max. 7.5%	\$ 367.7	\$ 392.3

**Economic Emergency Fund**

	<u>FY 2006</u>	<u>FY 2007</u>
Balance Forward	\$ 3.3	\$ 24.1
CRF Excess	20.8	0.0
Total Revenue	<u>\$ 24.1</u>	<u>\$ 24.1</u>
Transfer to Gen. Fund	0.0	0.0
Ending Balance	<u>\$ 24.1</u>	<u>\$ 24.1</u>
Max. 2.5%	\$ 122.6	\$ 130.8

**GENERAL FUND BALANCE  
UNRESERVED - GAAP BASIS  
FY 1995 - FY 2005**



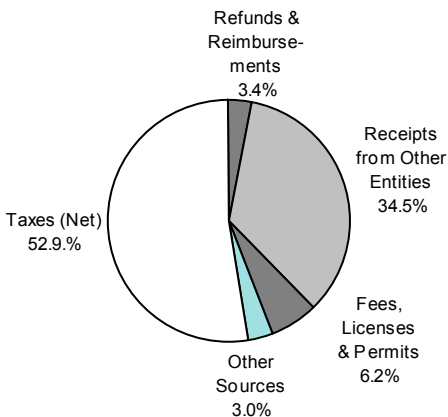
GAAP = Generally Accepted Accounting Principles

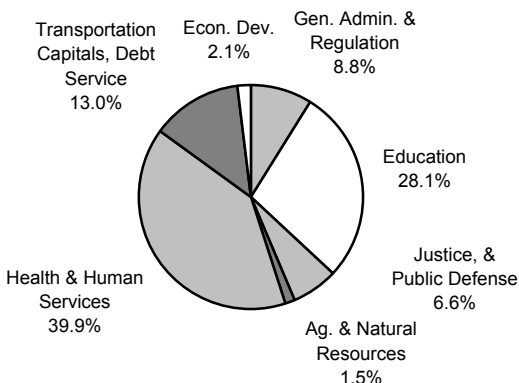
- Changes in the budgetary/legal basis fund balance will have a direct impact on the GAAP basis fund balance.

## STATE FUNDING SOURCES

Most State operations are accounted for through governmental fund types (as specified in the Iowa Comprehensive Annual Financial Report): General, Tobacco, and Non-Major. Governmental revenues and other financing sources totaled \$10.4 billion for FY 2005. Net tax receipts increased \$362.6 million (7.0%) compared to FY 2004. Refunds and reimbursements decreased \$85.7 million (- 19.7%) compared to FY 2004.

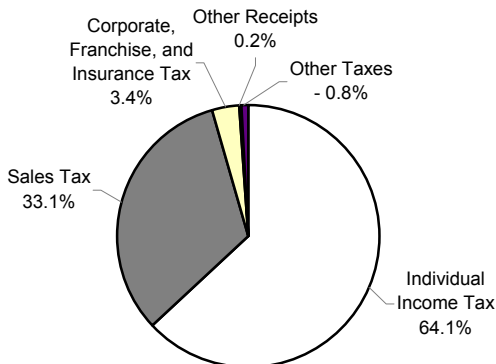
### FY 2005 State Revenue Sources



**STATE EXPENDITURES  
GOVERNMENTAL FUNDS****FY 2005 State Governmental Expenditures**

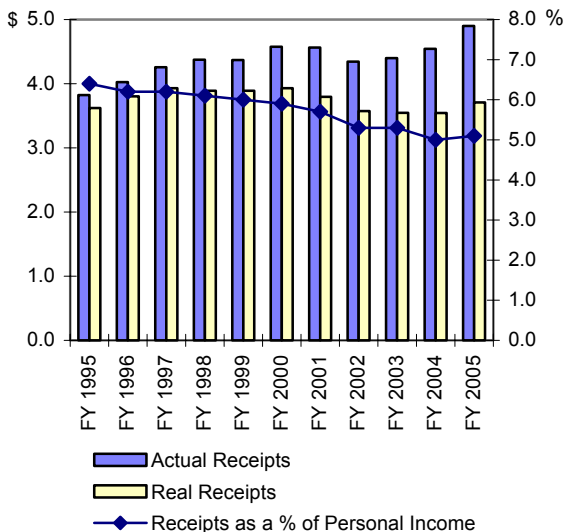
- 
- Includes General Fund and all Other Governmental Funds. (Comprehensive Annual Financial Report)
  - Governmental expenditures totaled \$9.9 billion for FY 2005, a decrease of \$135.9 million (- 1.4%) compared to FY 2004.
  - Revenues for FY 2005 exceeded expenditures by \$472.6 million. Net transfers and other financing uses resulted in a negative net Fund balance change of \$29.8 million.

### SOURCES OF GENERAL FUND GROWTH FY 1995 - FY 2005



- The chart above does not include transfers to the General Fund from other funds, and percentages have not been adjusted for refunds.
- Total receipts, net of refunds and excluding transfers, increased \$1,047.6 million from FY 1995 to FY 2005. This represents an average annual increase of 2.4%.
- Since FY 1995, growth in personal income tax accounted for 64.1% of the total increase in General Fund receipts. Sales and use tax was second, and accounted for 33.1% of the total increase. Taxes paid by businesses (corporate income, franchise tax, and insurance tax) account for 3.4% of the increase. The percentages in this paragraph have not been adjusted for refunds.

**GENERAL FUND RECEIPTS HISTORY**  
**FY 1995 - FY 2005**  
 (\$ in billions)



- Actual General Fund Receipts are net of refunds but are not adjusted for accrued revenue or transfers.
- Real Receipts are actual net General Fund Receipts adjusted for inflation, using the Consumer Price Index - all urban consumers (CPI-U).
- Receipts as a Percentage of Personal Income are actual net receipts divided by Personal Income. This is a measure of the change in the magnitude of the General Fund relative to the income of all Iowans.
- From FY 1995 through FY 2005, Iowa General Fund net receipts grew \$1,048.0 million (29.2%). During that same period, Iowa's total State personal income grew \$35.8 billion (61.9%).
- In FY 1995, Iowa General Fund net receipts equaled 6.4% of total State personal income. In FY 2005, net General Fund receipts equaled 5.1% of personal income.
- Adjusted for inflation, General Fund net receipts decreased 0.1% from FY 1995 to FY 2005.

**GENERAL FUND EXPENDITURES  
SHIFTED TO OTHER FUNDING SOURCES  
(\$ in millions)**

	<b>Est. FY 2006</b>	<b>Est. FY 2007</b>
Medical Assistance (Medicaid)	\$ 158.0	\$ 100.0
Property Tax Credits	159.7	159.9
Debt Service	15.7	15.7
DPH - Substance Abuse	11.8	13.8
Elderly Services	8.3	8.3
Soil Conservation Cost Share	5.5	5.5
DHS Programs	4.4	4.4
DNR Park Operations	2.0	2.0
Other	1.6	2.7
<b>Total</b>	<b>\$ 367.0</b>	<b>\$ 312.3</b>

## MAJOR STATE AND LOCAL TAX SOURCES

State Taxes	2006 Rate	Description
Individual Income Tax	0.36% to 8.98%	<ul style="list-style-type: none"> <li>Tax is paid on personal net income earned in Iowa. Federal taxes paid are deducted from income. For tax year 2006, the filing threshold for a couple is \$13,500. The top rate applies to couple's taxable income in excess of \$58,500.</li> </ul>
Sales and Use Tax	5.00%	<ul style="list-style-type: none"> <li>Tax is paid on the final sale of most goods and enumerated services. Food, prescription drugs, and professional services are the major exceptions.</li> </ul>
Motor Vehicle Fuel Tax		<ul style="list-style-type: none"> <li>Tax is paid on purchases of various gas and fuel sources. Receipts are deposited in the Road Use Tax Fund.</li> </ul>
Gasoline	\$0.210 per gallon	
Ethanol	\$0.190 per gallon	
Diesel	\$0.225 per gallon	
Corporate Income Tax	6.00% to 12.00%	<ul style="list-style-type: none"> <li>Tax is paid on net income of corporations doing business within Iowa. Top rate applies to taxable income over \$250,000.</li> </ul>
Insurance Premium Tax	1.00% to 1.25%	<ul style="list-style-type: none"> <li>Tax is imposed on adjusted gross amount of premiums (excluding annuities) of every insurance company except fraternal beneficiary associations.</li> </ul>
Cigarette Tax	\$0.36 per pack	<ul style="list-style-type: none"> <li>Tax is imposed on the sale of cigarettes.</li> </ul>
Tobacco Tax	22.00%	<ul style="list-style-type: none"> <li>Tax is imposed on the wholesale price of tobacco, excluding tobacco subject to the cigarette tax.</li> </ul>
Franchise Tax	5.00%	<ul style="list-style-type: none"> <li>Tax is imposed on the net income of most types of banks and financial institutions. Credit unions are taxed differently.</li> </ul>



### MAJOR STATE AND LOCAL TAX SOURCES (Contd.)

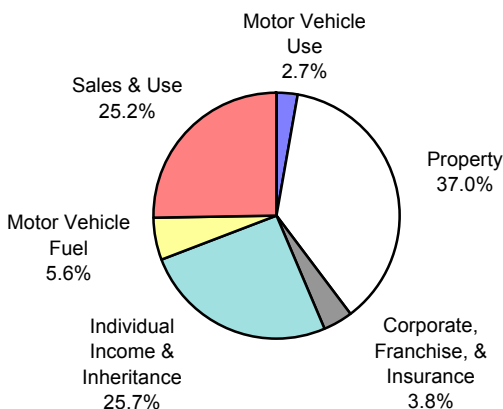
State Taxes	2006 Rate	Description
Inheritance Tax	1.00% to 15.00%	<ul style="list-style-type: none"> <li>• Tax is imposed on beneficiaries other than lineal descendants. Rates and brackets vary according to relationship of beneficiary to the deceased.</li> </ul>

Local Taxes	2006 Rate	Description
Property Tax	Varies - the residential average rate is approximately 3.3% of taxable valuation.	<ul style="list-style-type: none"> <li>• Tax is imposed on the taxable value of real property, including land and buildings. For FY 2006, residential property is taxed at 47.96% of its market value.</li> </ul>
Local Option Sales Tax	1.00%	<ul style="list-style-type: none"> <li>• Tax is added to general State sales tax but not to use tax. State remits collections to local cities and counties.</li> </ul>
Local Option Sales Tax for Schools	1.00%	<ul style="list-style-type: none"> <li>• Tax is added to general State sales tax but not to use tax. State remits collections to school districts.</li> </ul>
Hotel/Motel Tax	Varies - it may not exceed 7.00%.	<ul style="list-style-type: none"> <li>• Tax is imposed on the gross receipts of hotel and motel room rentals. Disbursed to local governments imposing the tax.</li> </ul>
Individual Income School District Surtax	Varies - it may not exceed 20.00% of State income tax liability.	<ul style="list-style-type: none"> <li>• Tax is imposed by school districts on residents' State income tax payments.</li> </ul>

**GENERAL FUND RECEIPTS**  
(\$ in millions)

	Estimated FY 2007 REC	Percent of Total Receipts
<b>Tax Receipts</b>		
Personal Income Tax	\$ 2,917.8	49.3%
Sales/Use Tax	1,946.3	32.9
Corporate Income Tax	320.0	5.4
Inheritance Tax	69.6	1.2
Insurance Premium Tax	126.4	2.1
Cigarette Tax	90.0	1.5
Tobacco Tax	9.2	0.2
Beer Tax	14.6	0.3
Franchise Tax	32.8	0.6
Miscellaneous Tax	0.6	0.0
<b>Total Tax Receipts</b>	<b>5,527.3</b>	<b>93.5%</b>
<b>Other Receipts</b>		
Institutional Payments	12.9	0.2%
Liquor Profits	61.8	1.0
Interest	13.5	0.2
Fees	69.9	1.2
Judicial Revenue	61.9	1.0
Miscellaneous	34.6	0.6
Racing and Gaming	60.0	1.0
Transfers	62.4	1.1
Accruals (Net)	9.5	0.2
<b>Total Other Receipts</b>	<b>386.5</b>	<b>6.5%</b>
<b>Total Receipts</b>	<b>5,913.8</b>	<b>100.0%</b>
Refunds	- 552.9	- 9.3%
<b>Net Receipts</b>	<b>\$ 5,360.9</b>	<b>90.7%</b>

**DISTRIBUTION OF MAJOR STATE AND LOCAL  
TAX SOURCES - ACTUAL FY 2005**  
(\$ in millions)



Tax	Rate	Actual FY 2005	Percent of Major Tax Sources
Property	Varies	\$ 3,452.3	37.1%
Individual Income	0.36% - 8.98%	2,259.5	24.3
Sales & Use	5.00%	1,744.6	18.7
Local Option Sales	1.00% - 2.00%	468.6	5.0
Local Option Inc.	20.0% IA inc. tax	59.2	0.6
Hotel/Motel	up to 7.00%	28.4	0.3
Motor - Fuel	\$0.190 - \$0.225	497.7	5.3
Environ. Prot. Fee	\$0.01 per gallon	21.0	0.2
Corporate Income	6.00% - 12.00%	186.5	2.0
Motor Vehicle Use	5.00%	252.0	2.7
Insurance Premium	1.00% to 1.25%	131.1	1.4
Tobacco	\$0.36 per pack	96.0	1.0
Beer	\$0.19 per gallon	14.1	0.2
Inheritance	1.00% - 15.00%	77.1	0.8
Franchise (Bank)	5.00%	36.5	0.4
Total		<u>\$ 9,324.6</u>	<u>100.0%</u>

Note:

Receipts are net of refunds.

## STATE GAMBLING

Wagering Tax Revenue  
(\$ in millions)

Fiscal Year	Pari-Mutuel	Riverboats	Slot Machines	Total
1997	1.1	75.3	48.9	125.3
1998	1.0	84.5	55.2	140.7
1999	0.8	92.9	65.4	159.1
2000	0.6	103.3	75.8	179.7
2001	0.5	106.3	80.8	187.6
2002	0.4	116.5	89.5	206.4
2003	0.4	120.9	57.8	179.1
2004	0.4	130.3	85.5	216.2
2005	0.4	144.7	72.3	217.4
Est. 2006	0.4	146.1	74.2	220.7
Est. 2007	0.4	168.1	74.0	242.5

Wagering Tax Allocations  
(\$ in millions)

Fund	Actual FY 2004	Actual FY 2005	Est. FY 2006	Est. FY 2007
General Fund	\$ 60.0	\$ 60.0	\$ 60.0	\$ 60.0
Vision Iowa	15.0	15.0	15.0	15.0
School Infrastructure	5.0	5.0	5.0	5.0
Endowment for Iowa's Health Account	70.0	70.0	70.0	70.0
Rebuild Iowa Infrastructure Fund	79.7	107.2	98.1	103.8
Total	<u>\$ 229.7</u>	<u>\$ 257.2</u>	<u>\$ 248.1</u>	<u>\$253.8</u>

Notes:

- 1) On April 19, 2004, the General Assembly passed HF 2302 (FY 2004 Gambling Act) changing the tax rates from 20.0% for all riverboats and racetrack casinos to 22.0% for all riverboats and for Dubuque, 24.0% for Prairie Meadows, and 24.0% for Bluffs Run unless that track decides not to have table games, then its tax is 22.0%.
- 2) Cities and counties in which the gaming takes place, the Gamblers Treatment Fund, and a new County Endowment Fund each receive 0.5% of the adjusted gross receipts (AGR) for off-the-top allocations. During the 2006 Legislative Session, the General Assembly adopted HF 2791 (County Endowment Fund Act) which will increase the County Endowment Fund percentage to 0.8%.

**STATE GAMBLING (Contd.)**

- 3) In addition to the receipts from slot machines and pari-mutuel wagering, the State received \$23.6 million in FY 2004 as a retroactive gaming tax on FY 2003 and FY 2004 AGR of racetrack casinos in FY 2004.
- 4) In FY 2005, the racetrack casinos had a one-time opportunity to obtain a table games license at a cost of \$3.0 million for Dubuque and \$10.0 million for the other racetrack casinos. Those licenses were purchased by June 1, 2005.
- 5) In FY 2005 and FY 2006, all riverboats will pay a Rebuild Iowa Infrastructure Fund (RIIF) assessment of 2.152% of AGR. This will generate \$15.0 million each year.
- 6) Both the license fees for table games and the RIIF assessments can be used as a tax credit of 20.0% per year for five years beginning in FY 2009 and FY 2010, respectively.
- 7) The Racing and Gaming Commission approved the following four new excursion gambling boat licenses on May 11, 2005.
  - Wild Rose Emmetsburg, LLC - Palo Alto County Gaming Development Corporation.
  - Diamond Jo Worth, LLC - Worth County Development Authority.
  - IOC Black Hawk County, Inc. - Black Hawk County Gaming Association.
  - Washington County Casino Resort, LLC - Washington County Riverboat Foundation, Inc.

The initial license fee for the new boats is based on county populations as follows:

- Two licensees (Worth and Palo Alto) at \$5.0 million in counties with a population of less than 15,000.
- One licensee (Washington) at \$10.0 million in a county with a population between 15,000 and 100,000.
- One licensee (Black Hawk) at \$20.0 million in a county with a population over 100,000.

The fee will be paid at the rate of 20.0% per year beginning within 30 days of May 11, 2005, and annually through FY 2009. It is estimated that the new boats will not become operational until FY 2008.

## IOWA'S CASH MANAGEMENT PRACTICES



Iowa's cash is managed by the State Treasurer's Office. To earn the most interest possible, cash is invested as soon as it is collected, while enough cash remains on hand to pay State bills. Funds of State agencies which are temporarily available for investment are pooled together and invested in certificates of deposit, U.S. Treasury bills and notes, and other corporate debt instruments as allowed by law. Investment goals are set by statute:

- Safety - restrictions on types of investments, limits on credit risk, maturities, and use of leverage is prohibited.
- Liquidity - always have the next 60 days of bills funded; purchase liquid securities.
- Yield - core portfolio invested for longer periods; use of laddered maturities.

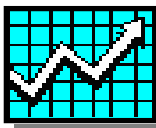
The current size of the investment pool is approximately \$1.8 billion. The realized cash annual rate of return for FY 2005 was 2.66%.

## DEBT ADMINISTRATION

The Constitution of the State of Iowa prohibits the State from exceeding a maximum of \$250,000 in general obligation debt without voter approval. However, statute authorizes the issuance of Tax and Revenue Anticipation Notes (TRANS), provided the total issuance does not exceed anticipated revenue receipts for the fiscal year and the total issuance mature during the fiscal year.

- In FY 2005, the State issued \$375.0 million in TRANS.
- To date in FY 2006, the State has issued \$450.0 million in TRANS.

## DEBT MANAGEMENT



The State of Iowa reported total outstanding debt of \$8.627 billion on June 30, 2005, for all governmental entities. This represents an increase of \$379.8 million (4.6%) compared to FY 2004.

Entities that reported increases in debt during FY 2005 include: cities - \$222.6 million (6.7%), counties - \$6.0 million (1.5%), schools - \$113.6 million (7.0%), community colleges - \$21.1 million (8.1%), the Board of Regents - \$34.6 million (4.8%), and State Authorities - \$43.1 million (2.9%).

Debt financing is used for a variety of purposes which include: construction and renovation of public buildings, schools, housing and urban development, utilities, jails and prisons, park and recreational facilities, and local streets and parking lots.


A variety of financing mechanisms are available for use by the State and local units of government for public infrastructure improvements. These include:

- General obligation bonds
- Revenue bonds
- Certificates of participation (lease purchase)
- Special assessments on property
- Tax increment financing
- Special tax allocation and dedication such as hotel and motel taxes

# **BUDGETS AND APPROPRIATIONS**



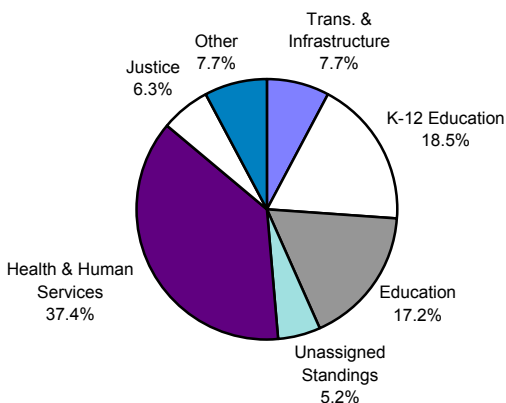
**IOWA'S BUDGET PROCESS**

- The Governor and the State Legislature allocate state resources and set revenue collection levels through the budgeting process.
  - The process begins in June of each year for the fiscal year which starts 12 months later on July 1.
  - State agencies prepare budget requests within the guidelines set by the Governor and submit their requests by October 1.
- 
- The Revenue Estimating Conference meets before December 15 to set revenue estimates which will serve as a basis for the General Fund budget for the following fiscal year.
  - The Governor submits annual recommendations to the Legislature in January.
  - By statute, the Governor's budget must be balanced and must meet expenditure limitations.
  - The Legislature conducts budget hearings during January and February. Recommendations from the seven joint budget subcommittees and the Oversight Committee are passed on to Appropriations Committees and the floor for debate in each chamber.
  - The State Constitution allows the Governor line-item veto authority over appropriations bills.
  - For FY 2006, the Governor and Lt. Governor implemented a new budgeting process entitled "Purchasing Results." The Executive Branch used this process again in FY 2007 in lieu of the historical practice of automatically recommending the statutory 75.0% of each agency's base budget with decision packages to reinstate the remaining 25.0%.
  - Described as a "buying and selling" practice, the Governor and Lt. Governor acted as purchasers, or "buyers" of government services; the State agencies developed offers, or ideas, to "sell" to the Governor and Lt. Governor.

## **IOWA'S BUDGET PROCESS (Contd.)**

- Purchasing Results - Results Areas and Indicators were identified to reflect the results that Iowans want and indicators reflecting level of achievement. The seven main Result Areas identified by the Governor are:
  - Accountable Government
  - Natural Resources
  - Transform Iowa's Economy
  - Student Achievement
  - Healthy Iowans
  - Safe Communities
  - Transportation
- Each "Buying Team" had an allocation of total expected revenues and ranked the final offers in priority order as recommendations to the Governor and Lt. Governor. These lists, or Purchasing Priorities, showed the Offers in priority order from top to bottom, with a line drawn to show where the allocation of money ran out.

**APPROPRIATED SPENDING  
ESTIMATED FY 2007  
(\$ in millions)**

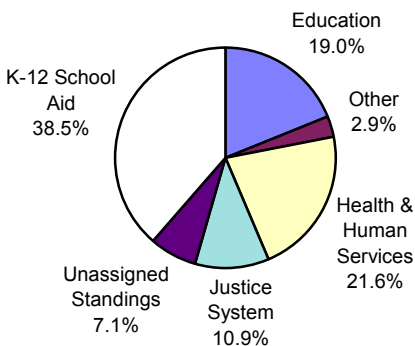


Categories	Est. FY 2007 Appropriations	Percentage
Admin. & Regulation	\$ 185.1	1.7%
Ag. & Natural Resources	119.1	1.1
Economic Development	543.5	4.9
K-12 Education	2,040.0	18.5
Education	1,899.5	17.2
Health & Human Services	4,132.6	37.4
Justice System	700.5	6.3
Trans. & Infrastructure	852.3	7.7
Unassigned Standings	569.4	5.2
Total	<u>\$ 11,042.0</u>	<u>100.0%</u>

**Notes:**

- 1) This represents appropriations from the General Fund, Federal Funds, and Other Funds.
- 2) "Other" includes Administration and Regulation, Agriculture and Natural Resources, and Economic Development.

**DISTRIBUTION OF ESTIMATED FY 2007  
STATE GENERAL FUND APPROPRIATIONS  
(\$ in millions)**

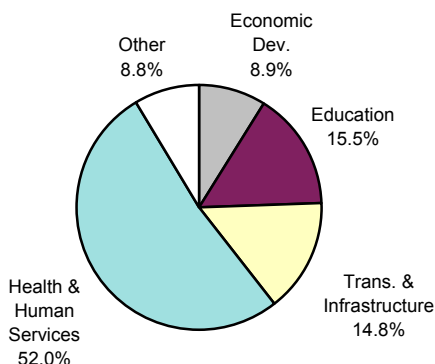


Subcommittee	Est. FY 2007 Appropriations	Percent of Total
Admin. & Regulation	\$ 83.6	1.6%
Ag. & Natural Resources	38.0	0.7
Economic Development	29.7	0.6
Education	1,007.0	19.0
Health & Human Services	1,145.4	21.6
Justice System	575.9	10.9
Unassigned Standings	376.7	7.1
K-12 School Aid	2,040.0	38.5
Total	<u>\$ 5,296.3</u>	<u>100.0%</u>

Note:

"Other" includes Administration and Regulation, Agriculture and Natural Resources, and Economic Development.

**NON-GENERAL FUND APPROPRIATED FUNDS  
ESTIMATED FY 2007  
(\$ in millions)**

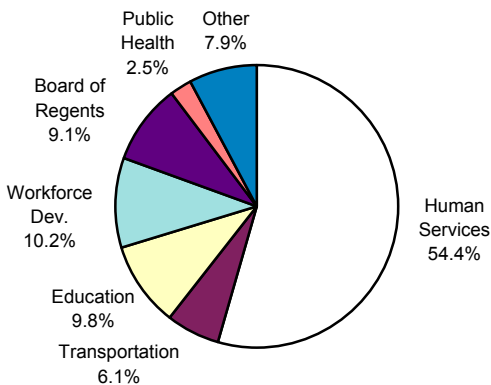


Subcommittee	Est. FY 2007 Appropriations	Percent of Total
Admin. & Regulation	\$ 101.5	1.8%
Ag. & Natural Resources	81.1	1.4
Economic Development	513.8	8.9
Education	892.5	15.5
Health & Human Services	2,987.2	52.0
Justice System	124.6	2.2
Trans. & Infrastructure	852.3	14.8
Unassigned Standings	192.7	3.4
<b>Total</b>	<b>\$ 5,745.7</b>	<b>100.0%</b>

**Notes:**

- 1) Sources of non-General Fund appropriations include, but are not limited to: federal funds, the Road Use Tax Fund, the Primary Road Fund, the Tobacco Settlement Fund, and the Rebuild Iowa Infrastructure Fund.
- 2) "Other" includes Administration and Regulation, Agriculture and Natural Resources, Justice System, and Unassigned Standings.

**FEDERAL FUNDS  
ESTIMATED FY 2007  
(\$ in millions)**



Department	Est. FY 2007	Percent of Total
Human Services	\$ 2,444.7	54.4%
Education	441.7	9.8
Board of Regents	410.7	9.1
Transportation	275.7	6.1
Workforce Development	458.4	10.2
Public Health	112.9	2.5
Other State Agencies	353.9	7.9
Total	<u>\$ 4,498.0</u>	<u>100.0%</u>

## **SALARY ADJUSTMENT**



Salary adjustment is an increase allocated to each department's personnel services budget to provide funding for such things as Cost of Living Adjustments (COLA), changes in the cost of health insurance premiums, salary annualization, and merit step increases that will take place sometime during the upcoming fiscal year.

For FY 2007, \$29.0 million was appropriated from the General Fund to the Salary Adjustment Fund administered by the Department of Management. The appropriation excludes the Board of Regents and the Judicial Branch.

Salary annualization is the amount needed to pay for merit step increases that were not included in the prior year's salary adjustment. For example, if an employee received a merit step increase in March 2006, an amount sufficient to pay the merit step increase for three months during FY 2006 would have been included in the FY 2006 salary adjustment. Salary annualization would be included in the FY 2007 salary adjustment for the employee's merit step from July 2006 to March 2007 (nine months).

If all employees had review dates at the beginning of the fiscal year, there would be no salary annualization due to merit step increases. However, if this was the case, the cost of salary adjustment would increase proportionately.

## **INFRASTRUCTURE FUNDING**

Appropriations from infrastructure revenue sources include funding for environmental programs, technology projects, debt service on certain bonds, as well as capital and infrastructure projects. The 2006 General Assembly made appropriations for multiple years from the following funding sources:

- Rebuild Iowa Infrastructure Fund (RIIF)
- Restricted Capital Fund
- Endowment for Iowa's Health Restricted Capitals Fund
- Vertical Infrastructure Fund
- Endowment for Iowa's Health Account
- Environment First Fund
- Federal Economic Stimulus and Jobs Holding Account
- Technology Reinvestment Fund.

Revenue in the Restricted Capital Fund of the Tobacco Settlement Trust Fund is from \$540.0 million of tax-exempt bond proceeds that were issued through the tobacco securitization process in FY 2002. Appropriations from the Fund are required to be used for depreciable assets, and in a manner that does not adversely affect the tax-exempt status of the bonds. In November 2005, the Tobacco Settlement Authority refunded the tobacco bonds which generated an additional \$100.5 million in tax-exempt bond proceeds. These funds were deposited into the Endowment for Iowa's Health Restricted Capitals Fund. The same restrictions apply to this Fund that applies to the Restricted Capital Fund of the Tobacco Settlement Trust Fund.

The 2006 General Assembly created the Technology Reinvestment Fund for the purpose of funding technology improvements for State government. A General Fund standing appropriation of \$17.5 million was established for the Fund.

The General Assembly passed HF 2782 (FY 2007 Infrastructure Appropriations Act), which appropriates funds over five fiscal years as follows:



### INFRASTRUCTURE APPROPRIATIONS ACT (\$ in millions)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
General Fund	\$ 0.8	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
RIIF	43.3	67.2	42.0	30.4	6.7
Environment First Fund	35.0	35.0	0.2	0.0	0.0
Restricted Capital Fund	29.6	0.0	0.0	0.0	0.0
Vertical Infrastructure Fund	15.0	5.0	0.0	0.0	0.0
Storm Water Discharge Discharge Fees	0.3	0.0	0.0	0.0	0.0
RC2	0.0	103.8	0.0	0.0	0.0
Tech. Reinvestment Fund	0.0	17.5	0.0	0.0	0.0
ENDW	0.0	13.6	5.0	0.0	0.0
FES Fund Interest	0.0	4.3	0.0	0.0	0.0
	<u>\$ 124.0</u>	<u>\$ 246.4</u>	<u>\$ 47.2</u>	<u>\$ 30.4</u>	<u>\$ 6.7</u>

RIIF = Rebuild Iowa Infrastructure Fund

RC2 = Endowment for Iowa's Health Restricted Capitals Fund

ENDW = Endowment for Iowa's Health Account

FES = Federal Economic Stimulus (Jobs Holding Account)

## ENVIRONMENT FIRST FUND



The Environment First Fund was created by the 2000 General Assembly to provide funding for the protection, conservation, enhancement, or improvement of natural resources or the environment. The Environment First Fund receives an annual appropriation of \$35.0 million from the Rebuild Iowa Infrastructure Fund (RIIF). The General Assembly annually appropriates from the Environment First Fund for specific environmental projects. For FY 2007, \$13.9 million is appropriated to the Department of Agriculture and Land Stewardship for soil and water conservation initiatives, \$500,000 to the Department of Economic Development for the Brownfields Redevelopment Program, and \$20.6 million to the Department of Natural Resources (DNR) for environmental programs. Included in the DNR funding is \$11.0 million for the Resource Enhancement and Protection (REAP) Fund.

The General Assembly also appropriated funds for the following environment-related projects:

- \$4.0 million from the Federal Economic Stimulus and Jobs Holding Account to the Iowa Finance Authority for the Wastewater Treatment Financial Assistance Program.
- \$10.0 million from the Endowment for Iowa's Health Account to the Treasurer of State for FY 2007 and FY 2008 for the Watershed Improvement Program.
- \$8.6 million from the Endowment for Iowa's Health Account to the DNR for Lake Restoration.
- \$1.5 million from the RIIF to the DNR for Iowa's Special Areas.
- \$1.0 million from the Restricted Capital Fund to the DNR for State Park Infrastructure Improvements.

## ENVIRONMENT FIRST FUND (Contd.)

Environment First Fund  
(\$ in millions)

<b>Resources</b>	<b>FY 2007</b>
Rebuild Iowa Infrastructure Fund Approp.	<u>\$ 35.0</u>
<b>Expenditures</b>	
<b>Department of Agriculture</b>	
Conservation Reserve Enhancement Program (CREP)	\$ 1.5
Watershed Protection Program	2.7
Farm Demonstration Program	0.8
Soil Conservation Cost Share	5.5
Agricultural Drainage Wells	0.5
Conservation Reserve Program (CRP)	2.0
Loess Hills Conservation Authority	0.6
Southern Iowa Conservation and Development Authority	0.3
Total Department of Agriculture	<u>13.9</u>
<b>Department of Natural Resources</b>	
REAP Formula Allocation	\$ 11.0
Water Quality Monitoring Stations	3.0
Marine Fuel Tax Capital Projects	2.5
Park Operations	2.0
Lake Dredging	1.0
Other	0.6
Water Quality Protection	0.5
Total Department of Natural Resources	<u>20.6</u>
<b>Department of Economic Development</b>	
Brownfield Redevelopment Program	0.5
<b>Total Expenditures</b>	<u><u>\$ 35.0</u></u>

REAP = Resource Enhancement and Protection Fund

## TOBACCO SETTLEMENT



On November 20, 1998, 46 states approved a settlement agreement with the four major tobacco industry manufacturers comprising 99.4% of the United States cigarette market. The manufacturers agreed to a settlement valued at \$206.4 billion to be paid over 25 years to settle tobacco-related lawsuits filed by the states.

Iowa will receive approximately \$1.9 billion (0.87%) of the total funds allocated for distribution to the states. From FY 1998 through FY 2001, Iowa received \$144.4 million under the Master Settlement Agreement. Iowa securitized 78.0% of the payment stream in 2001. Since that time, 78.0% of the payments are made to the trustee to pay the bond obligations. The remaining 22.0% is paid directly into the Endowment for Iowa's Health Account.

The Tobacco Settlement Authority (TSA) restructured the existing debt related to the Series 2001 bonds in November 2005. The restructuring was complete in accordance with

### Distribution of Funds (\$ in Millions)

Escrow - Pay off Series 2001 Bonds	\$ 666.8
Debt Service Reserve Account - Series 2005 Bonds	59.2
Costs of Issuance	2.3
Proceeds to the State of Iowa	
Endowment for Iowa's Health - Restricted Capitals Fund	100.5
Endowment for Iowa's Health Account	50.2
Enforcement Reserve Account	3.0
Total	<u>\$ 882.0</u>

Section 12.65, Code of Iowa. The funds were applied as follows:

Proceeds from the restructuring of the tax-exempt bonds were placed in a new account, Endowment for Iowa Health – Restricted Capitals Fund. For legal reasons, the proceeds must be kept separate from the original tax-exempt bond proceeds. Expenditures from both Restricted Capitals Funds must comply with Internal Revenue Service (IRS) rules, and are restricted to depreciable assets.

The \$50.2 million deposited into the Endowment for Iowa's Health Account may be used for health-related expenditures. The TSA created an Enforcement Reserve Account in the indenture related to the refinancing. This Fund remains under the control of the TSA; it must approve any expenditure from the Fund.

The following pages provide balance sheets that show the distribution of funds Iowa received under the Master Settlement Agreement.

**Tobacco Settlement Trust Fund**  
**Endowment for Iowa's Health Account**  
(\$ in millions)

	Estimated FY 2006	Estimated FY 2007	Estimated FY 2008
<b>Resources</b>			
Balance	\$ 38.3	\$ 109.0	\$ 87.3
General Fund Appropriation	29.6	17.8	0
Deappropriation	-29.6	-17.8	0
Wagering Tax Allocation	70.0	70.0	0.0
Taxable Bond Proceeds	50.2	0.0	0.0
MSA Payment	15.4	15.6	20.8
Interest Earned	1.1	1.5	1.5
<b>Total</b>	<b>\$ 175.0</b>	<b>\$ 196.1</b>	<b>\$ 109.6</b>
<b>Appropriations</b>			
Healthy Iowans Tbc Trust Standing Approp.	58.4	59.3	60.1
Healthy Iowans Tbc Trust Transfer	7.6	10.9	0.0
Senior Living Trust Fund	0.0	25.0	0.0
Treasurer-Watershed Protection	0.0	5.0	5.0
DNR Lake Restoration & Water Quality	0.0	8.6	0.0
<b>Total</b>	<b>66.0</b>	<b>108.8</b>	<b>65.1</b>
<b>Ending Balance</b>	<b>\$ 109.0</b>	<b>\$ 87.3</b>	<b>\$ 44.5</b>

MSA = Master Settlement Agreement

**Healthy Iowans Tobacco Trust Fund**

	Estimated FY 2006	Estimated FY 2007
<b>Resources</b>		
Balance Forward	\$ 681,002	\$ 545,026
Endowment for Iowa's Health Account	58,374,995	59,250,621
Endowment Transfer	7,600,000	10,925,000
Interest	120,000	120,000
<b>Total</b>	<b>\$ 66,775,997</b>	<b>\$ 70,840,647</b>
<b>Appropriations</b>		
Dept. of Public Health	\$ 20,907,525	\$ 24,114,425
Dept. of Human Services	39,892,176	39,892,176
Dept. of Corrections	3,201,285	4,046,474
Dept. of Education	2,153,250	2,433,250
Dept. for the Blind	130,000	130,000
Dept. of Econ. Development	0	125,000
Dept. of Management	6,735	0
<b>Total</b>	<b>\$ 66,290,971</b>	<b>\$ 70,741,325</b>
Reversions	-60,000	0
<b>Ending Balance</b>	<b>\$ 545,026</b>	<b>\$ 99,322</b>

**Tobacco Settlement Trust Fund  
Endowment for Iowa's Health Restricted  
Capitals Fund (RCF 2)**

	Estimated FY 2006	Estimated FY 2007
<b>Resources</b>		
Balance	\$ 0	\$ 102,493,926
Tax-Exempt Bond Proceeds	100,493,926	0
Interest Earned	2,000,000	2,000,000
<b>Total</b>	<u>\$ 102,493,926</u>	<u>\$ 104,493,926</u>
<b>Appropriations</b>	\$ 0	\$ 103,779,001
<b>Ending Balance</b>	<u>\$ 102,493,926</u>	<u>\$ 714,925</u>

**Tobacco Settlement Trust Fund  
Restricted Capital Fund**

	Estimated FY 2006	Estimated FY 2007
<b>Resources</b>		
Balance	\$ 55,768,475	\$ 762
Interest Earned	4,100,000	0
Tbco Settlement Authority	-200,000	0
<b>Total</b>	<u>\$ 59,668,475</u>	<u>\$ 762</u>
<b>Appropriations</b>	\$ 65,936,409	\$ 0
<b>Deappropriations</b>	-6,268,696	0
<b>Ending Balance</b>	<u>\$ 762</u>	<u>\$ 762</u>

**SENIOR LIVING TRUST FUND**

The General Assembly passed HF 2734 (FY 2007 Health and Human Services Appropriations Act), which appropriated \$25.0 million from the Endowment for Iowa's Health Account to the Senior Living Trust Fund for FY 2007.

The Act also provides appropriations totaling \$74.8 million from the Fund to the Iowa Finance Authority (IFA) and the Departments of Elder Affairs, Human Services (DHS), and Inspections and Appeals for FY 2007 as follows:

- \$65.0 million to the DHS for the Medical Assistance (Medicaid) Program.
- \$8.3 million to the Department of Elder Affairs for the Senior Living Program.
- \$758,000 to the Department of Inspections and Appeals for assisted living and adult day services oversight.
- \$700,000 to the IFA for the Rent Subsidy Program.

The General Assembly passed HF 2039 (98.0% Expenditure Limitation Act) during the 2004 Legislative Session, which required that at the close of FY 2006, an amount equal to 1.0% of the General Fund adjusted revenue estimate be appropriated to the Senior Living Trust Fund before the surplus is transferred to the Cash Reserve Fund. If the surplus is less than 2.0%, the amount appropriated to the Fund would be equal to one-half of the surplus. These appropriations are to continue until \$118.0 million is deposited. This amount was amended to \$300.0 million in HF 2002 (Senior Living Trust Fund Repayment Act) during the 2006 Legislative Session. It is estimated that the Fund will receive \$21.1 million from the estimated surplus at the beginning of FY 2007.

It is estimated that at the close of FY 2007, the Fund will have an ending balance of \$13.8 million as shown in the table on the following page.

## SENIOR LIVING TRUST FUND (Contd.)

Senior Living Trust Fund  
(\$ in millions)

	<u>Estimated FY 2007</u>
<b>Revenues</b>	
Beginning Balance	\$ 41.0
General Fund Transfer	21.1
Endowment Appropriation	25.0
Interest	1.4
<b>Total Revenues</b>	<u>\$ 88.5</u>
<b>Expenditures</b>	
IFA - Rent Subsidy Program	<u>\$ 0.7</u>
Department of Human Services	
Medicaid	<u>\$ 65.0</u>
Department of Elder Affairs	
Senior Living Program	\$ 7.7
DEA & Contract Administration	0.6
DEA Total	<u>\$ 8.3</u>
DIA - Ass'd Living & Adult Day Care	<u>\$ 0.7</u>
<b>Total Expenditures</b>	<u>\$ 74.7</u>
<b>Ending Balance</b>	<u><u>\$ 13.8</u></u>

IFA = Iowa Finance Authority

DEA = Department of Elder Affairs

DIA = Department of Inspections and Appeals



# **STATE AND LOCAL GOVERNMENT**

### COLLECTIVE BARGAINING SETTLEMENTS FY 2006 - FY 2007

The values listed in the table below are the cost-of-living adjustments specified by State employee collective bargaining contracts.

	FY 2006	FY 2007
AFSCME	0.00%	2.00%
JUDICIAL AFSCME	0.00%	3.50%
IUP	0.00%	1.00% / 1.50%**
SPOC	0.50% / 1.00%*	1.00% / 1.50%**
UFI	1.50% / 1.00%***	0.00%
PPME	2.00%	2.00%
COGS	1.50%	0.00%
SEIU	4.50% / 4.40%****	0.00%

\*Effective 1/1/06 / 4/1/06

\*\*Effective 7/1/06 / 1/1/07

\*\*\*Effective 7/1/05 / 1/1/06

\*\*\*\*Nursing Staff / Non-Nursing Staff

**Note:**

Contracts allow for merit step increases for employees granted merit steps for both FY 2006 and FY 2007.

AFSCME = American Federation of State, County, and  
Municipal Employees

IUP = Iowa United Professionals

SPOC = State Police Officers Council

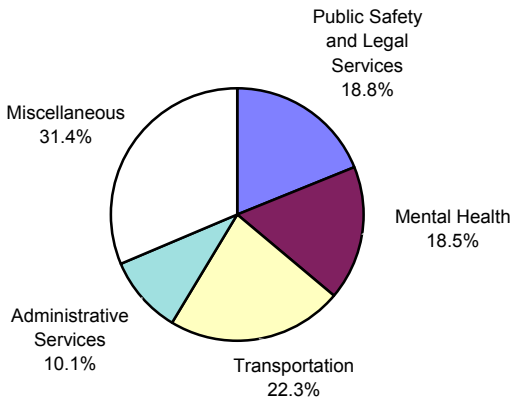
UFI = United Faculty of Iowa

PPME = Public Professional and Maintenance Employees

COGS = Campaign to Organize Graduate Students

SEIU = Service Employees International Union/Tertiary  
Health Care Unit, University of Iowa

### BUDGETED COUNTY EXPENDITURES FY 2006



Budgeted County Expenditures	Estimated FY 2006
Public Safety and Legal Services	\$ 334.6
Mental Health	311.1
Transportation	397.1
Administrative Services	179.8
Miscellaneous	
State & Local Gov't. Services	70.9
Physical Health and Social Services	177.4
County Environment	102.9
Debt Service	44.1
Capital Projects	159.6
Other	4.0
Total	<u><u>\$ 1,781.5</u></u>

Note:

The FY 2006 ending fund balances for all counties is estimated to be \$415.1 million.

**GENERAL FUND FINANCIAL ASSISTANCE  
TO LOCAL GOVERNMENTS  
(\$ in millions)**

	Actual FY 2005	Est. FY 2006	Est. FY 2007
District School Aid	\$ 2,045.5	\$ 2,152.8	\$ 2,273.3
Community Empowerment	13.7	23.8	38.8
Community College Aid	139.8	149.6	159.6
Single County Contracts	9.2	9.2	9.2
Substance Abuse Grants	0.8	0.8	0.8
Elderly Services	2.1	2.1	3.6
Child & Family Services	99.1	107.5	112.4
Family Investment Program	39.0	40.4	42.6
Community Mental Health/ Mental Retardation Fund	17.8	17.8	18.0
Medical Assistance	352.8	507.7	752.3
Peace Officers Retirement Reimbursement	2.7	2.7	2.7
Fire Fighter Training	0.6	0.7	0.7
Homestead Tax Credit	102.9	102.9	102.9
Agriculture Land Tax Credit	34.6	34.6	34.6
Elderly/Disabled Property Tax Credit	19.5	19.5	19.5
Military Tax Credit	2.6	2.6	2.8
Mental Health	118.7	123.5	133.9
Total Assistance	<u>\$ 3,001.4</u>	<u>\$ 3,298.2</u>	<u>\$ 3,707.7</u>

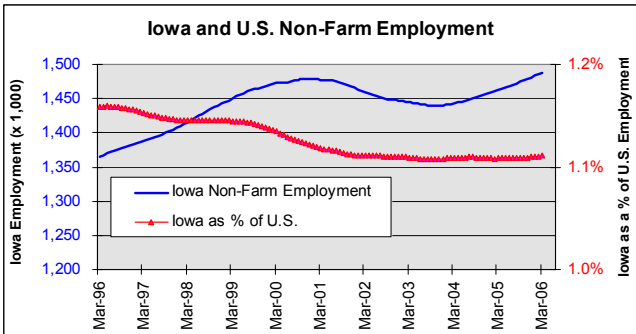
Total Assistance as a Percent of General Fund Expenditures	65.2%	65.6%	70.0%
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**Notes:**

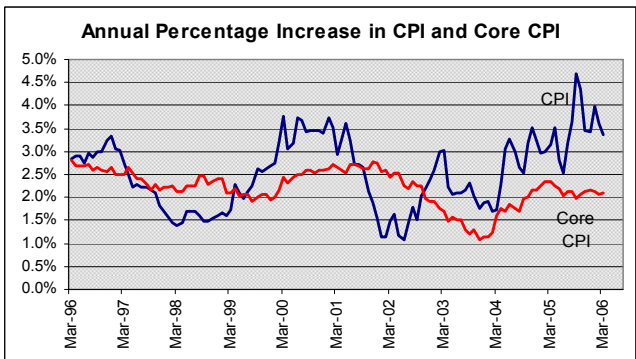
- 1) District School Aid includes unassigned standing appropriations for schools plus the appropriations for nonpublic textbooks and the appropriation for Student Achievement/Teacher Quality.
- 2) In FY 2005, FY 2006, and FY 2007, the tax credit appropriations were not funded directly from the General Fund.

# **IOWA ECONOMY**

## ECONOMIC SUMMARY



Iowa non-farm employment was reported at 1,486,100 for the month of March (not seasonally adjusted), 27,000 higher (1.9%) than March 2005. The 12-month Iowa moving average employment is presented in a graph above. Iowa non-farm employment (12-month average) peaked at an all time high in January 2001 (1,478,700), and the recent low was September 2003 (1,439,900). The current 12-month average reading is 1,488,000, so annualized Iowa non-farm employment is roughly 9,300 above its 2001 peak and 48,100 above the 2003 low. The chart also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1996 through 2003, but has held relatively stable over the past three years.

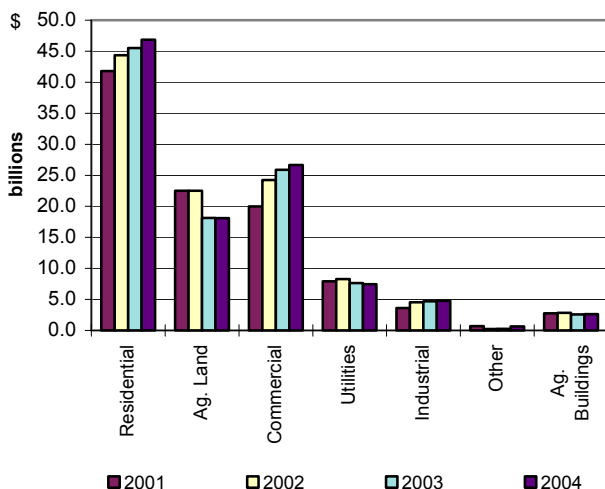


The Consumer Price Index (CPI-U) through March 2006 was 199.8 (1983/84=100), 3.4% higher than one year ago. Core CPI, an inflation measure that excludes food and energy prices, increased 0.6% during March and the year-over-year change was 2.1%.

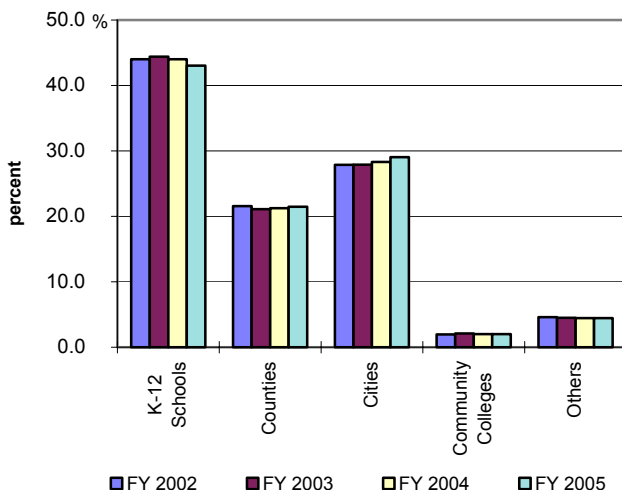
**ECONOMIC SUMMARY (Contd)**

The core inflation rate has generally declined since the early 1990's. The graph shows that although the full measure of inflation has accelerated significantly since March 2004, the Core CPI rate has remained well within a normal range.

### DISTRIBUTION OF NET TAXABLE VALUATION BY CLASS OF PROPERTY\*



### PERCENTAGE DISTRIBUTION OF PROPERTY TAXES BY TAXING AUTHORITY



\*Class of property information is based on an assessment year. Tax Increment Financing (TIF) revenues go to the taxing authority issuing the TIF.

**Note:**

Between FY 1992 and FY 2006, net taxable valuation in the State increased from \$76.5 billion to \$106.7 billion.



**EDUCATION**

## PAYING FOR PUBLIC EDUCATION THE IOWA SCHOOL FOUNDATION FORMULA

The Iowa School Foundation Formula was created between 1970 and 1972, for the school year beginning July 1, 1972. This Formula is a student-driven financing mechanism that works to equalize revenues from State sources and property taxes. The Formula was revised in 1989 to equalize per pupil spending, provide an enrollment cushion (phantom students), increase property tax relief, and provide for increased local discretion. In 1992, further revisions to the Formula included eliminating advanced funding for increasing enrollment, eliminating the enrollment decline cushion (phantom students), and requiring the Governor and General Assembly to establish the allowable growth rate each year, which was previously established by a formula.



In the 1995 Session, the determination of allowable growth was changed again. The General Assembly is required to set allowable growth two years in advance within 30 days of the submission of the Governor's budget.

The School Foundation Formula is based upon basic enrollment, a school district's regular program cost per pupil, State aid determined by a foundation level, and an amount generated by the uniform property tax levy.

In FY 2006, the School Foundation Formula provided \$1.964 billion in State aid based on a 4.0% allowable growth rate. In addition to State aid, the school districts received \$1.050 billion in Foundation property taxes, for total Foundation funding of \$3.014 billion. The budget was generated based on student enrollment of 483,335, special education weighting of 70,150, and supplemental weightings of 6,773, yielding a district weighted enrollment of 560,259.

In FY 2007, the School Foundation Formula was modified to increase the English as a Second Language Program weighting for an additional year and a provision was included to buy down the Additional Levy property tax rates in the school districts with the highest Foundation property tax rates. There is a \$6.0 million appropriation for the property tax rate buy-down in FY 2007. The appropriation is increased by \$6.0 million annually until it reaches \$24.0 million in FY 2010 and subsequent years.

## **PAYING FOR PUBLIC EDUCATION THE IOWA SCHOOL FOUNDATION FORMULA (Contd.)**

The Additional Levy Rate buy-down has no impact on the total amount of funding received by the school districts.

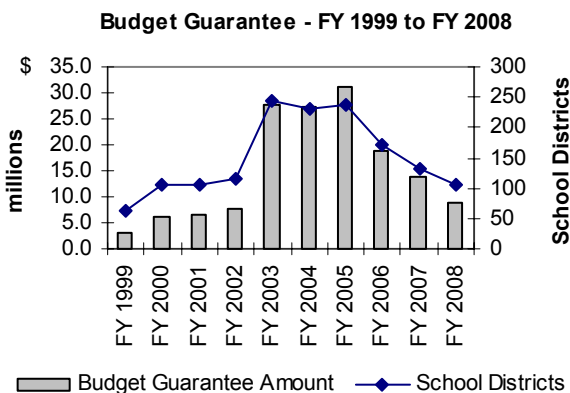
The FY 2007 allowable growth rate was set at 4.0% during the 2005 Legislative Session, yielding a State cost per pupil of \$5,128. The projected cost to the General Fund in FY 2007 is \$2.049 billion, an increase of \$85.2 million compared to estimated FY 2006. The FY 2008 allowable growth rate was set at 4.0% for a State cost per pupil of \$5,333. This is an estimated General Fund increase of \$117.7 million compared to FY 2007.

The 2001 General Assembly reduced the amount of funding that area education agencies (AEAs) were estimated to receive by \$7.5 million in FY 2002. This reduction has since been made permanent. In the 2003 Legislative Session, the AEAs' funding was reduced by an additional \$10.0 million, and in FY 2004, the across-the-board reduction decreased the appropriation by another \$1.8 million. In FY 2005 and FY 2006, the AEA budgets were reduced by \$19.3 million, the total of the three FY 2004 reductions. In FY 2008, the additional reduction was scaled back to \$8.0 million, leaving a total reduction of \$15.5 million. The AEAs were allowed to shift funding for the Special Education Services Program from the Media Services Program and the Educational Services Program in order to maintain the level of services required for the Special Education Support Services Program.

Schools with declining enrollments receive the budget guarantee so their budgets can remain at the previous year's funding level. Between FY 1996 and FY 1999, fewer than 65 school districts received the budget guarantee. In FY 2000 through FY 2002, over 100 school districts received the budget guarantee, and between FY 2003 and FY 2005, over 200 school districts annually received the budget guarantee. In FY 2006, with the 4.0% allowable growth rate, 174 school districts received the budget guarantee. In FY 2007, with the 4.0% allowable growth rate, 154 school districts will receive the budget guarantee. The budget guarantee costs have grown from \$2.7 million in FY 1996 to \$30.8 million in FY 2005 and decreased to \$19.5 million in FY 2006 and to \$13.9 million in FY 2007. In FY 2008 with a 4.0% allowable growth rate, an estimated 107 school districts will receive \$8.7 million in budget guarantee.

## PAYING FOR PUBLIC EDUCATION THE IOWA SCHOOL FOUNDATION FORMULA (Contd.)

The following chart depicts those changes.



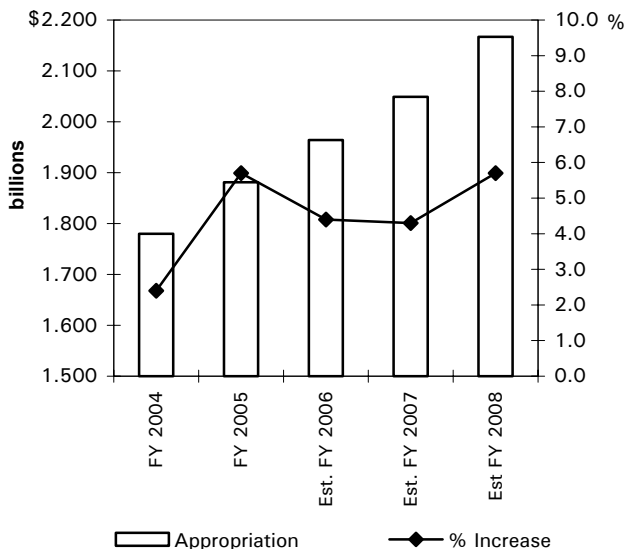
The budget guarantee was changed during the 2001 Legislative Session so that beginning in FY 2005 it is no longer based on providing 100.0% of the total regular program district cost. In FY 2005 and future years, school districts with declining enrollment will be eligible for one of two options. They may receive:

- 101.1% budget adjustment that is based on the previous year's regular program district costs without any previous budget guarantee adjustment.
- 90.0% budget guarantee that is based on the FY 2004 total regular program district costs. This percentage will be scaled back 10.0% each year until 2014.

Other funding sources available to school districts on an optional basis in the general education fund area include drop out prevention programs, School Budget Review Committee authorizations, instructional support levy, cash reserve levy, management levy, and enrichment levy.

Local school districts have a number of optional funding sources available for non-general education fund activities. These levies are used for building construction, building maintenance, equipment purchases, and certain operational expenditures. These include the debt service levy, physical plant and equipment levy, and the educational and recreation levy.

### APPROPRIATIONS FOR K-12 STATE AID FY 2004 - FY 2008



	Appropriations	Change	Percent Change
FY 1999	1,611,592,518	53,340,694	3.4%
FY 2000	1,696,505,094	84,912,576	5.3%
FY 2001	1,751,721,662	55,216,568	3.3%
FY 2002	1,678,604,088	- 73,117,574	- 4.2%
FY 2003	1,738,962,243	60,358,155	3.6%
FY 2004	1,780,398,844	41,436,601	2.4%
FY 2005	1,881,273,764	100,874,920	5.7%
Est. FY 2006	1,963,927,556	82,653,792	4.4%
Est. FY 2007	2,049,173,137	85,245,581	4.3%
Est. FY 2008	2,166,877,445	117,704,308	5.7%

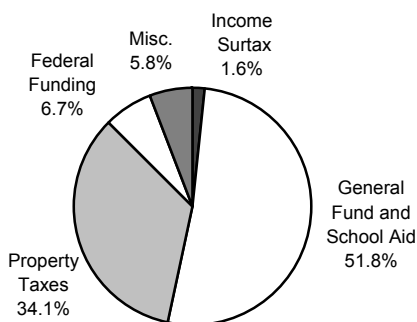
Percentage increase FY 2003 - FY 2008 24.6%

Five-year average annual increase 5.0%

#### Notes:

- 1) FY 2002 and FY 2003 include \$45.0 million appropriated from other funds.
- 2) FY 2004 includes a \$45.4 million across-the-board reduction and a \$4.5 million restoration.

**K-12 SCHOOL DISTRICTS' REVENUE**  
**Estimated FY 2006**  
**(\$ in millions)**



	Amount	Percent of Total
General Fund and School Aid	\$ 2,167.7	51.8%
Property Taxes	1,424.6	34.1
Federal Funding	281.3	6.7
Income Surtax	66.4	1.6
Miscellaneous	241.4	5.8
Total	<u>\$ 4,181.4</u>	<u>100.0%</u>

Note:

Approximately 72.1% of the revenue for K-12 school districts is derived through the basic funding formula.

**K-12 SOURCE OF FUNDS**  
**ESTIMATED FY 2006 BUDGET DETAIL**  
(\$ in millions)

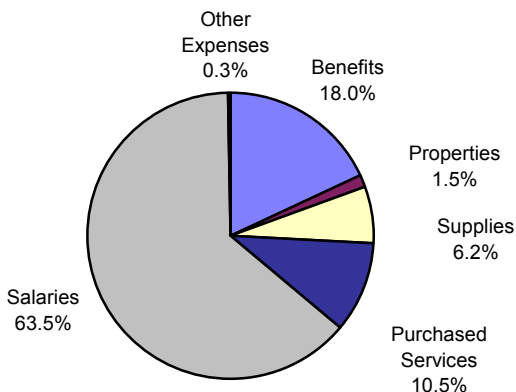
Source of Funds	Amount	Percent	# of Districts
Combined District Cost			
Regular Program	\$ 2,395.2	57.3%	365
Budget Guarantee	19.5	0.5	174
Supplementary Weights	33.6	0.8	365
Special Education	347.8	8.3	365
AEA Media	21.0	0.5	365
AEA Education Services	23.2	0.6	365
AEA Special Education	120.8	2.9	365
Dropout SBRC	72.0	1.7	281
Other - SBRC	0.0	0.0	NA
AEA Pro Rata Adjustment	- 19.3	- 0.5	365
Enrollment Adjustment	- 0.2	- 0.0	45
Total Combined District Cost	<u>\$ 3,013.6</u>	<u>72.1%</u>	
Other Taxes and Misc. Income			
Instructional Support	\$ 151.3	3.6%	328
Educational Improvement	0.5	0.0	4
Physical Plant and Equipment	108.4	2.6	335
School House Levy	0.0	0.0	0
Management Levy	95.8	2.4	362
Ed.and Rec. Levy (Playground	1.8	0.0	18
Bonds/Debt Service Levy	98.0	2.3	230
Miscellaneous - Estimated*			
State	189.4	4.5	365
Federal	281.3	6.7	365
Other	241.4	5.8	365
Total Other Taxes and Funding	<u>\$ 1,167.9</u>	<u>27.9%</u>	
Total Budget	<u>\$ 4,181.5</u>	<u>100.0%</u>	

AEA = Area Education Agency

SBRC = School Budget Review Committee

\* Source: Iowa Department of Management

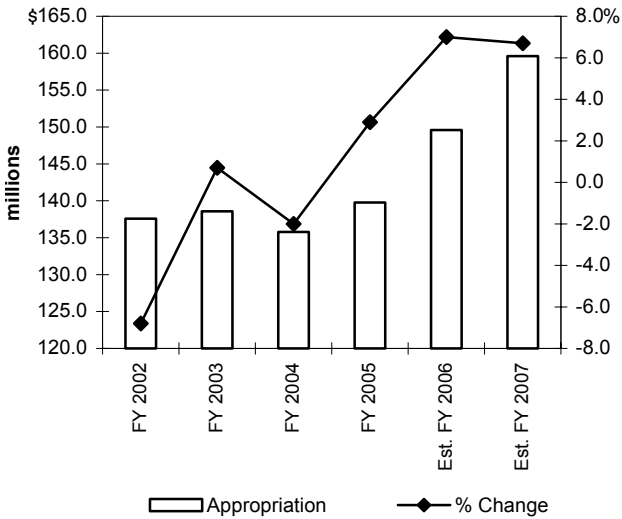
**AVERAGE K-12 EXPENSES FOR  
AN IOWA SCHOOL YEAR  
2003 - 2004**



- From FY 1986 to FY 2004, expenditures for salaries decreased by 4.6% and expenditures for benefits increased 5.1% as a percentage of total operating fund expenditures.
- Statewide average administrative expenditures for FY 2004 are 9.6% of total operating fund expenditures. This is a decrease from 10.3% in FY 1986.

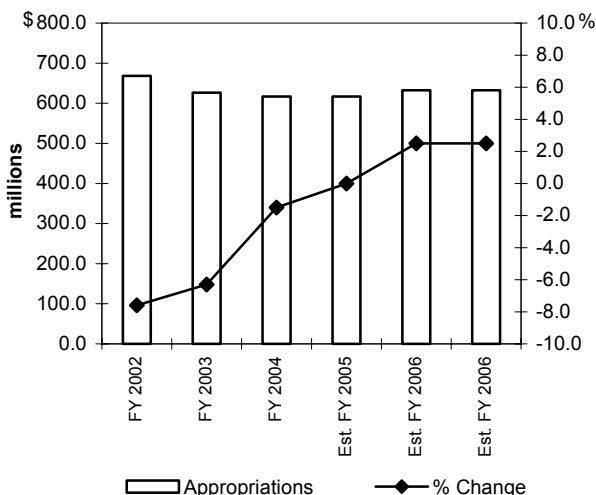


**GENERAL FUND APPROPRIATIONS  
FOR COMMUNITY COLLEGES  
FY 2002 - FY 2007**



	Appropriations	Change	Percent Change
FY 2002	\$ 137,585,680	- 9,991,723	- 6.8%
FY 2003	138,585,680	1,000,000	0.7%
FY 2004	135,779,244	- 2,806,436	- 2.0%
FY 2005	139,779,244	4,000,000	2.9%
Est. FY 2006	149,579,244	9,800,000	7.0%
Est. FY 2007	159,579,244	10,000,000	6.7%
Percentage change FY 2002 - estimated FY 2007			16.0%
Five-year average annual change			3.2%

**GENERAL FUND APPROPRIATIONS  
FOR REGENTS INSTITUTIONS  
FY 2002 - FY 2007**

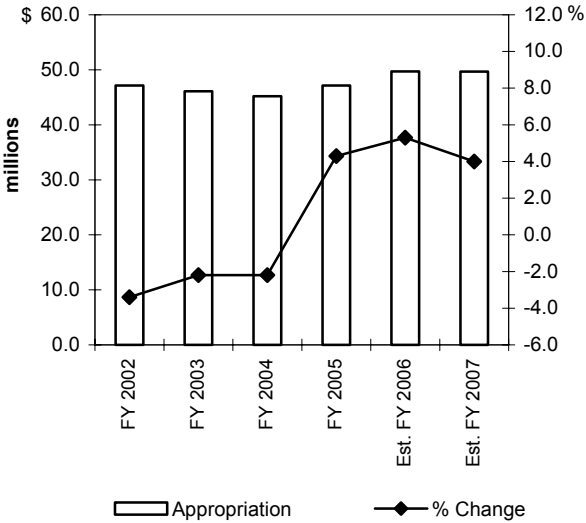


	Appropriations	Change	Percent Change
FY 2002	668,308,294	- 54,644,889	- 7.6%
FY 2003	626,340,356	- 41,967,938	- 6.3%
FY 2004	617,022,987	- 9,317,369	- 1.5%
FY 2005	616,751,408	- 271,579	0.0%
Est. FY 2006	632,340,696	15,589,288	2.5%
Est. FY 2007	643,990,327	11,649,631	1.8%
Percentage change FY 2002 - estimated FY 2007			- 3.6%
Five-year average annual change			- 0.7%

**Notes:**

- 1) Includes appropriations made by the Economic Development Subcommittee.
- 2) Totals for FY 2002 through FY 2007 include other funds for tuition replacement.
- 3) Totals for FY 2002 through FY 2003 include other funds for salaries.
- 4) Includes operational funds only. Does not include funds for capitals or infrastructure.
- 5) Totals for FY 2006 and FY 2007 include funds appropriated from the IowaCare Account to the University of Iowa Hospitals and Clinics (UIHC). In FY 2005 and prior years, appropriations were made from the General Fund to UIHC.

**GENERAL FUND APPROPRIATIONS  
FOR TUITION GRANTS  
FY 2002 - FY 2007**



	Appropriations	Change	Percent Change
FY 2002	47,155,382	- 1,674,693	- 3.4%
FY 2003	46,117,964	- 1,037,418	- 2.2%
FY 2004	45,200,787	- 917,177	- 2.0%
FY 2005	47,157,515	1,956,728	4.3%
Est. FY 2006	49,673,575	2,516,060	5.3%
Est. FY 2007	51,673,576	2,000,001	4.0%
Percentage increase FY 2002 - estimated FY 2007			9.6%
Five-year average annual change			1.9%

Note: For FY 2007, the total is separated as follows:  
 \$46,506,218 for nonprofit institutions.  
 \$5,167,358 for proprietary (for-profit) institutions.

# **HEALTH AND HUMAN SERVICES**

## DEPARTMENT OF HUMAN SERVICES PROGRAMS



The Department of Human Services is projected to spend \$3.928 billion combined for all programs, including Medical Assistance, the Family Investment Program, and the Food Stamp Program during FY 2007 (all funding sources). Federal funding is projected to account for \$2.445 billion, or 62.2% of these expenditures. Senior Living Trust Fund appropriations are \$65.0 million, or 1.7%. State General Fund appropriations are \$1.099 million, or 28.0%. The unfunded portion of the Medical Assistance Program accounts for an estimated \$31.0 million, or 0.8%. The Medical Assistance Program is projected to serve an average of 308,000 individuals per month during FY 2007. The Family Investment Program is projected to serve an average of 17,906 households each month. The Food Stamp Program is projected to serve an average of 211,800 families each month during FY 2007.

The Family Investment Program (FIP) provides direct cash grant assistance to needy families in which the children are deprived of parental care or support due to absence, death, incapacity, or unemployment of one or both parents. In FY 1997, the federal government began to block grant \$131.5 million to Iowa annually from the Temporary Assistance for Needy Families (TANF) Block Grant. Revenues from child support recoveries also finance the Program. The Program was created in FY 1994 as part of a welfare reform effort that changed the structure and benefits of the previous Aid to Families with Dependent Children (AFDC) Program in order to reduce economic disincentives to employment.

The Food Stamp Program is a federally funded program administered by the U.S. Department of Agriculture which has the goal of preventing hunger and malnutrition. Recipients of the Family Investment Program are automatically eligible for food stamps. Individuals or families may also qualify for food stamps without receiving Family Investment Program benefits.

The Child Support Recovery Unit is responsible for collecting child support for families receiving FIP benefits and other families requesting assistance. Other activities include establishing paternity and child and medical support orders, locating absent parents, and reviewing

**DEPARTMENT OF HUMAN SERVICES  
PROGRAMS (Contd.)**

and adjusting support orders upon the request of either parent.

The Medical Assistance Program pays for low-income aged, blind, and disabled citizens, residents of institutions, and other low-income lowans who meet certain criteria. Federal law requires coverage of specified services and eligibility groups. In addition, the State of Iowa is currently covering most of the optional services and eligibility groups for which federal matching funds are available.

The State Children's Health Insurance Program began in FY 1999, including an expansion of Medical Assistance eligibility for children to 133.0% of the federal poverty level and coverage up to 200.0% of the federal poverty level in the Healthy and Well Kids in Iowa (hawk-i) using private insurance coverage.

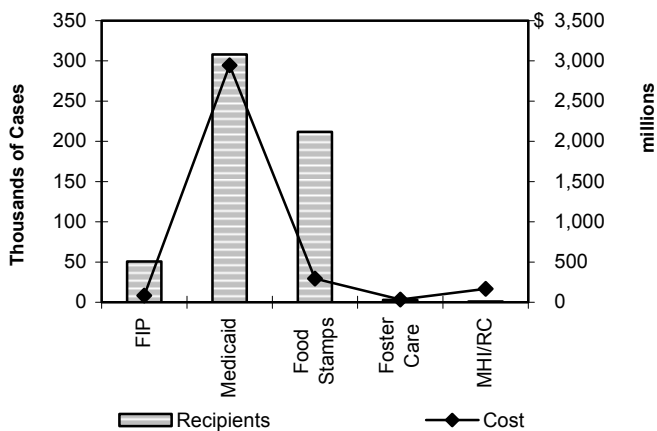
The Foster Care Program provides 24-hour temporary care for children unable to remain in their own homes, while offering services to families and children in order to implement plans for permanent placement.

There are four Mental Health Institutes for the mentally ill, located at Clarinda, Independence, Mt. Pleasant, and Cherokee. These Institutes provide a range of psychiatric and substance abuse services in an inpatient residential setting for those cases that community-based services cannot handle. The Institutes also provide limited outpatient services. Two of the Institutes, Clarinda and Mt. Pleasant, share campuses and selected support resources with adult correctional facilities operated by the Department of Corrections.

There are two Resource Centers which provide for the mentally retarded, located at Glenwood and Woodward. These Resource Centers provide diagnostic evaluation, treatment, training, care, rehabilitation, and support of mentally retarded persons. The Resource Centers also serve as the locations for various entities within the respective geographic areas which provide a wide variety of services to the area.

There is a Sexual Predator Civil Commitment Program located at the Mental Health Institute at Cherokee, which provides treatment for those who have served prison-time, consisting of three treatment components: assessment, treatment, and discharge planning.

### DEPARTMENT OF HUMAN SERVICES FY 2007 MAJOR PROGRAMS



\* Foster Care = Family Foster Care, Group Care, and Adoption Subsidy

	Average Monthly Recipients Per Program	Total Program Cost
FIP	50,800	\$ 83,733,201
Medicaid	308,000	2,945,591,503
Food Stamps	211,800	294,646,248
Family Foster Care	2,940	33,300,000
Group Care**	1,123	52,700,000
Adoption Subsidy	7,363	53,914,831
MHI/RC**	884	167,179,214

\*\* Based on Average Daily Census, includes all funds.

#### Note:

The number of recipients per program may be overestimated. Recipients may participate in more than one program causing the number of cases shown here to be inflated.

FIP = Family Investment Program

MHI/RC = Mental Health Institutes/Resource Centers

**TOTAL MEDICAL ASSISTANCE SPENDING**  
**FY 2005- FY 2007**  
**(\$ in millions)**

Category	Actual FY 2005	Est. FY 2006	Est. FY 2007
Inpatient*	\$ 252.1	\$ 282.4	\$ 287.7
Outpatient*	139.7	156.5	159.4
NF-Excluding MR*	413.9	436.3	452.5
NF-MR	236.0	243.1	250.4
Physicians Services*	151.3	169.5	172.6
Lab & X-ray Services*	3.3	3.7	3.8
Ambulance Services	2.4	2.7	2.7
Prescribed Drugs	401.2	423.1	451.4
HMO*	40.8	9.8	10.2
Medical Supplies	32.3	36.2	36.9
Dental Services	39.3	44.0	44.8
Optometric Services	7.0	7.8	8.0
Iowa Plan*	94.6	97.4	106.6
Waiver Services**	270.5	337.2	354.8
Other	206.4	231.3	235.6
Total	<u>\$ 2,290.8</u>	<u>\$ 2,481.0</u>	<u>\$ 2,577.4</u>

\* Mandatory Services.

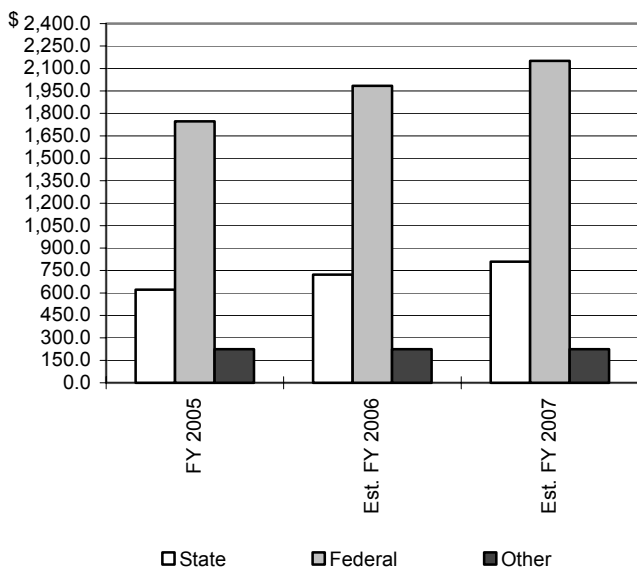
\*\* Waiver Services - Mentally ill and handicapped waiver, AIDS waiver, brain injury waiver, mentally retarded waiver, elderly waiver, physical disabilities waiver, and home health.

Note:

Dollars include federal, State, and county dollars.



**TOTAL MEDICAL ASSISTANCE SPENDING (Contd.)  
FY 2005 - FY 2007  
(\$ in millions)**



- The federal government matches State spending of 38.0% with 62.0% of federal spending for FY 2007.

## CHILDREN'S HEALTH INSURANCE (CHIP) PROGRAM

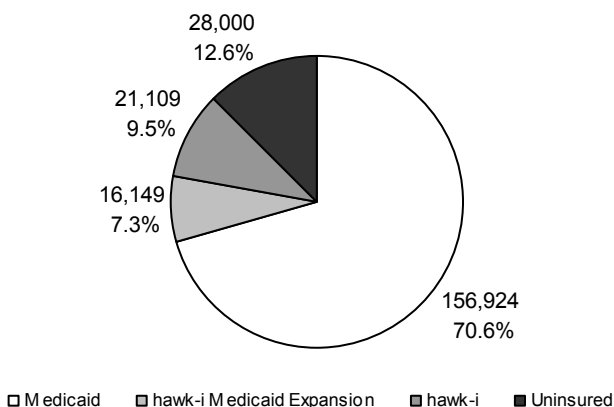
Congress enacted the Children's Health Insurance Program, with federal funds available on October 1, 1997, to provide insurance for children in families with incomes up to 200.0% of the Federal Poverty Level (FPL).

House File 2734 (FY 2007 Health and Human Services Appropriations Act) appropriates \$19.7 million from the General Fund to provide Iowa's match for \$53.3 million in federal funds.

The **hawk-i** Program was enacted in 1998, establishing a private insurance program for children in families with incomes between 133.0% and 185.0% of the FPL. Statewide coverage is provided by one managed care plan and one indemnity plan. The Program was expanded to 200.0% of the FPL in FY 2003.

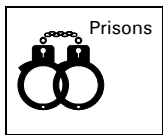
The Bureau of Census estimates 28,000 (3.7%) uninsured children in the State are at or below the 200.0% FPL. As of January 2006, 32,973 children were enrolled in the **hawk-i** Program.

### Number of Children Below 200.0% FPL



**CRIME/ENFORCEMENT**

## PRISONS/CORRECTIONS



The State prisons were operating at 120.0% of current designed capacity on April 14, 2006, with a prison population of 8,686 offenders.

Current designed capacity is 7,240 beds. Designed capacity will increase to 7,418 beds when the 178-bed Special Needs Unit at Oakdale is constructed and operating (FY 2007 or FY 2008).

The Criminal and Juvenile Justice Planning Division in the Department of Human Rights released its prison population forecast in October 2005. The Report stated that by FY 2015, the prison population is expected to reach 10,329 offenders if there are no changes to offender behavior, and justice system policies, trends, and practices remain unchanged.

The forecast creates capacity issues because, based on the forecast, the prison system will be operating at 139.3% of current designed capacity by the end of FY 2015. According to the Department of Corrections, for every 1,000 increase in the inmate population, a new 800-bed prison will need to be constructed. This assumes each prison will operate at 125.0% of capacity.

If the prison population reaches 10,329 offenders, three new 800-bed prisons will need to be constructed due to overcrowding. The estimated construction cost is \$50.0 million for each prison; each prison will incur annual operating costs of \$28.0 million. Total capital costs are estimated to be \$150.0 million and annual operating costs are estimated to be \$84.0 million. If three new prisons are constructed and the population reaches 10,329 inmates, the prison system will be operating at 105.2% of designed capacity.

**PRISONS/CORRECTIONS (Contd.)**

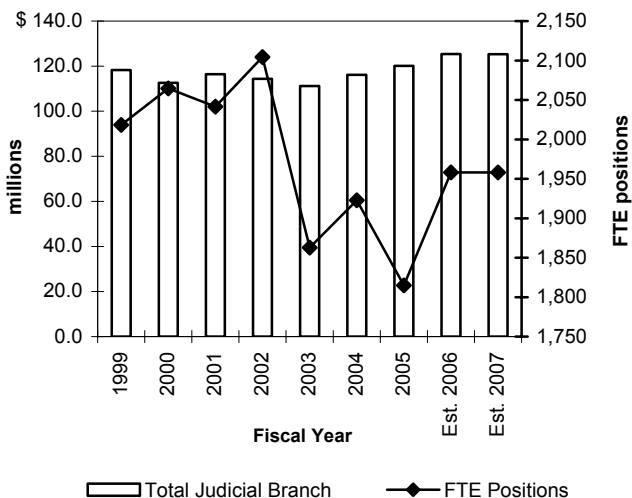
With the addition of the new prison beds, modification of the design capacity calculation, and the increase in the inmate population, overcrowding was 119.2% in May 2005. By the end of FY 2014, the prison population is projected to increase to 10,582 inmates, which will be 143.3% of capacity.

The State prisons were operating at 119.4% of current designed capacity on June 6, 2006, with a prison population of 8,645 offenders. Current designed capacity is 7,240 beds. Designed capacity will increase to 7,418 beds by FY 2007 when the 178-bed Special Needs Unit at Oakdale is constructed and operating.

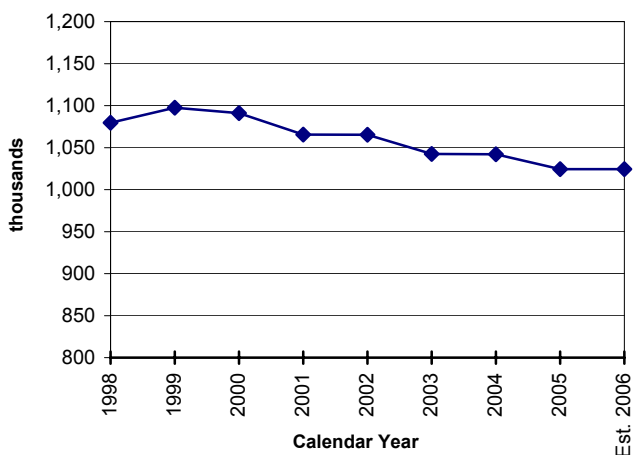
The Criminal and Juvenile Justice Planning Division in the Department of Human Rights released its prison population forecast. The report stated that by FY 2014, the prison population is expected to reach 10,582 offenders if there are no changes to offender behavior, and justice system policies, trends, and practices remain unchanged.

If the prison population reaches 10,582 offenders, three new prisons will need to be built over the next ten years. Construction cost per prison is estimated to be \$50.0 million, and annual operating costs are approximately \$28.0 million. If three new 800-bed prisons are built, total construction costs are estimated to be \$150.0 million and annual operating costs are estimated to be \$84.0 million. If the prison population reaches 10,582 offenders and three new prisons are built, designed capacity would be 9,785 beds, and the prisons would be operating at 108.2% of designed capacity.

### JUDICIAL BRANCH APPROPRIATIONS AND FTE POSITIONS FY 1999 - FY 2007

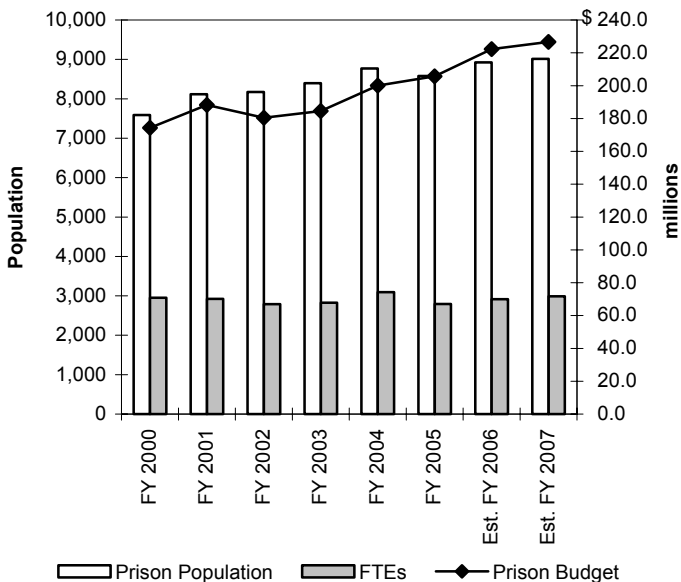


### COURT CASE FILINGS CY 1998 - CY 2006

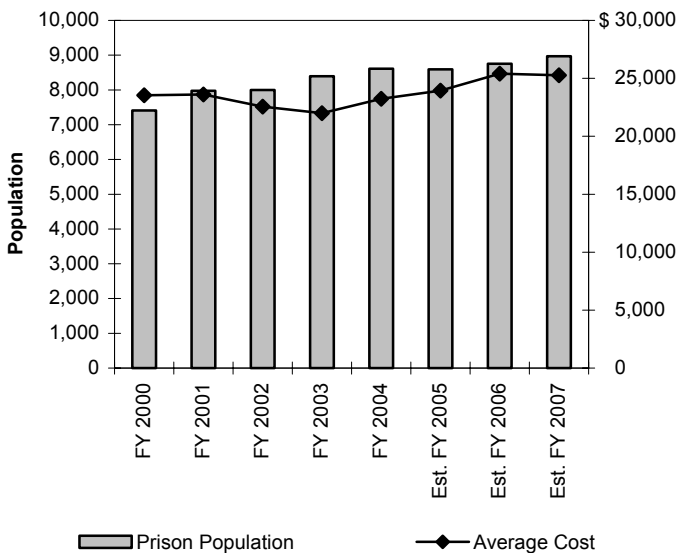


CY = Calendar Year

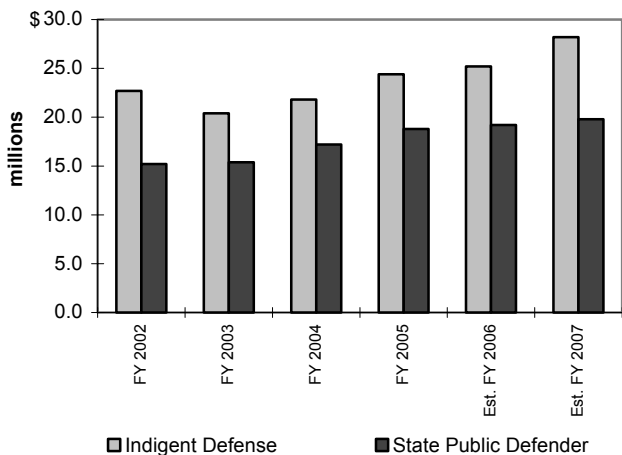
### YEAR-END PRISON POPULATION, STAFFING, AND BUDGET



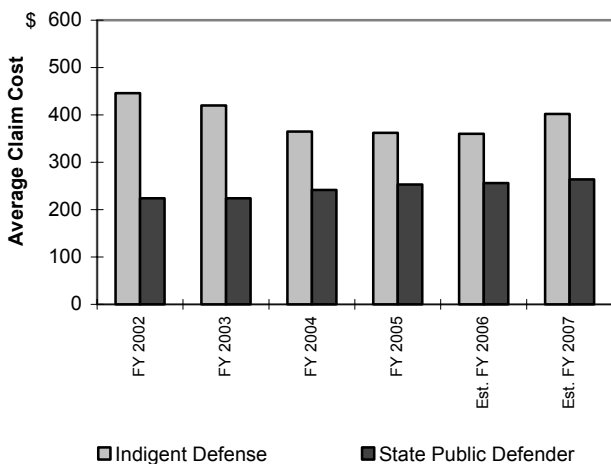
### AVERAGE PRISON POPULATION AND AVERAGE ANNUAL COST PER PRISONER



### INDIGENT DEFENSE AND STATE PUBLIC DEFENDER EXPENDITURES FY 2002 - FY 2007



### INDIGENT DEFENSE AND STATE PUBLIC DEFENDER COSTS PER CLAIM FY 2002 - FY 2007



Note:

Costs for juvenile cases are included for the State Public Defender and for Indigent Defense.



# **TRANSPORTATION**

## ROAD USE TAX FUND



The Road Use Tax Fund is comprised of revenue sources which include taxes on fuels; fees collected on vehicle registrations, titles, and driver licenses; and use tax collected on motor vehicle purchases and related equipment.

Except for administrative costs, all vehicle registration fees, license fees, and motor vehicle fuel taxes are constitutionally mandated to be spent exclusively for the construction, maintenance, and supervision of the State's public highways (Section 8, Article VII, Constitution of the State of Iowa). However, the use tax on motor vehicles and equipment is exempt from the constitutional mandate.

The following table shows actual and estimated Road Use Tax Fund revenues for FY 2004 through FY 2006.

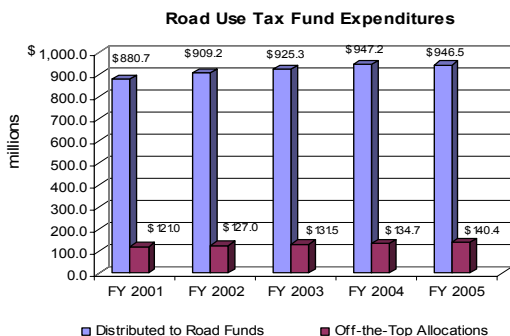
**ROAD USE TAX FUND**  
(\$ in millions)

	Actual FY 2005	Estimated FY 2006	Estimated FY 2007
<b>Revenues</b>			
Fuel Tax	\$ 430.1	\$ 439.1	\$ 443.7
Registration Fees	381.8	384.6	392.1
Use Tax	224.5	217.5	215.0
Underground Tank Fees	21.0	21.2	21.4
Driver's License Fees	14.3	9.6	4.5
Interest	5.6	5.7	5.8
Other	9.6	14.7	14.8
<b>Total</b>	<b>\$1,086.9</b>	<b>\$1,092.4</b>	<b>\$1,097.3</b>

A portion of the Road Use Tax Fund revenues is appropriated either through standing appropriations established in the Code of Iowa, or through the annual appropriations process. These expenditures are referred to as "off-the-top" allocations, and are used to fund programs, equipment purchases, and department operations. After the off-the-top allocations are funded, the remaining revenues are distributed based on formulas to the Primary, Secondary, Farm-to-Market, and Municipal Road Funds.

## ROAD USE TAX FUND (Contd.)

The following chart shows the comparison between the funds distributed by formula to the State, city, and county road funds and total off-the-top allocations.



Following the formula distributions to the four road funds, the remaining revenues are then transferred with the jurisdiction of certain roads, as detailed in the following section.

### Transfer of Road Jurisdictions

In 2003, the General Assembly passed SF 451 (FY 2004 Road Jurisdiction and Funding Act). Beginning in FY 2004, the Act transferred the jurisdiction of certain roads, and transferred funds with those roads as follows:

- Effective FY 2004, the jurisdiction and control of approximately 700 miles of primary (State) roads, classified as Local Service Roads, were transferred to cities and counties.
- From FY 2004 to FY 2013, 1.75% of Primary Road Fund moneys will be transferred annually to a Transfer of Jurisdiction Fund. The allocation will be distributed as follows:
  - 75.0% to counties and cities that assume jurisdiction of primary roads.
  - 22.5% to the Secondary Road Fund of all counties.
  - 2.5% to the Street Construction (Municipal Road) Fund of all cities.

## ROAD USE TAX FUND (Contd.)

- 2.5% to the Street Construction (Municipal Road) Fund of all cities.
- Beginning in FY 2014, the Transfer of Jurisdiction Fund will be eliminated, and the 1.75% of Primary Road Fund moneys will be distributed to all cities and counties as follows:
  - 1.575% to the Secondary Road Fund of all counties.
  - 0.175% to the Street Construction Fund of all cities.
- In addition to the transfer of primary roads to cities and counties in FY 2005, jurisdiction and control of approximately 400 miles of farm-to-market road extensions in cities with a population of less than 500 was transferred to the respective counties. A portion of the Municipal Road Fund from cities that transferred the farm-to-market extensions is transferred monthly to the respective counties. The total amount transferred is approximately \$2.1 million annually.

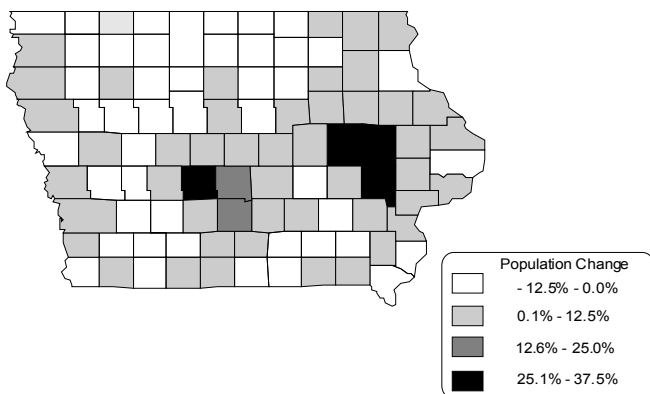
The following table shows Transfer of Jurisdiction Fund apportionments to cities and counties in FY 2005, and estimated apportionments in FY 2006 and FY 2007.

**Transfer of Jurisdiction Fund**  
(\$ in Millions)

	Actual FY 2005	Estimated FY 2006	Estimated FY 2007
<b><u>Revenue</u></b>			
1.75% of Primary Road Fund	\$ 7.9	\$ 7.9	\$ 7.9
<b><u>Distribution</u></b>			
Cities and counties that assume jurisdiction of primary roads (75.0%):			
<i>Cities (10.4%)</i>	0.6	0.6	0.6
<i>Counties (89.6%)</i>	5.3	5.3	5.3
All counties (22.5%)	1.8	1.8	1.8
All cities (2.5%)	0.2	0.2	0.2
<b>Total Distribution</b>	<u>\$ 7.9</u>	<u>\$ 7.9</u>	<u>\$ 7.9</u>

# STATE PROFILE

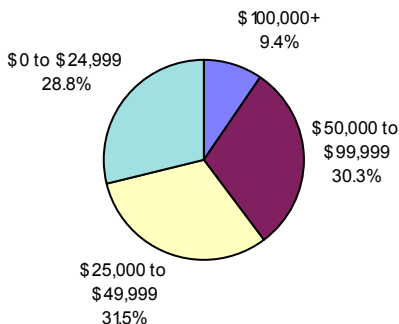
## IOWA'S POPULATION CHANGE BY COUNTY 1990 - 2000



- Iowa's population was estimated at 2,954,451 in 2004.
- The State experienced a negative population growth rate between the years 1979 and 1988, while the national average was fairly constant at 1.0%.
- Iowa experienced a 5.4% growth in the population rate from 1990 to 2000, which was concentrated in and around metropolitan areas.
- Dallas County reported the greatest gains in population, increasing by 37.0% from 1990 to 2000. Pocahontas County experienced the largest decline, with a loss of 9.1% during the same period.
- Just over 50.0% of the State's population resides in twelve counties in the State, which include Black Hawk, Cerro Gordo, Clinton, Dallas, Dubuque, Johnson, Linn, Polk, Pottawattamie, Scott, Story, and Woodbury.
- The most populous county in the State is Polk County, which reported a growth rate of 14.5% during the 1990s.

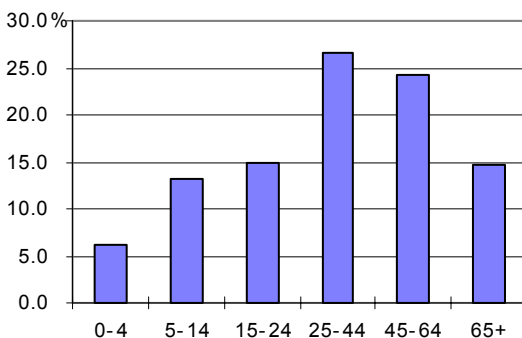
## IOWA'S POPULATION (as of 2003)

### HOUSEHOLD INCOME



- The average Iowa household has 2.5 members.
- Iowa's three-year average median household income (2001 - 2003) was \$41,985. Median household income in 2004 was \$41,350.
- The median age of an Iowan is 37.7 years of age compared to the national average of 35.9 years.

### AGE DISTRIBUTION OF IOWANS



- The percentage of Iowans age 65 or older is 14.7% compared to the national average of 12.4%.
- In 2004, the marriage rate was 6.9 per 1,000 population.

**IOWA'S POPULATION (Contd.)**

- In 2004, the divorce rate was 2.8 per 1,000 population.
- In 2004, the percentage of births to unmarried women was 31.0%.
- In 2004, the infant death rate per 1,000 live births was 5.1.
- It is estimated that 90.0% of Iowans are covered by health insurance, ranking third in the nation.
- In 2003, 88.9% of Iowa's population age 25 and older reported graduating high school or higher.
  - The percentage of Iowans age 25 and older with a bachelors degree is 22.5% compared to the national average of 26.5%.
  - Iowa's high school dropout rate was 2.7% compared to the national average of 5.1%.
- Iowa's population includes 6.1% who receive food stamps, ranking 38th in the nation. The national average is 8.1%.
- Iowa's average household Family Investment Program (FIP) monthly payment is \$124 compared to a national average of \$168.
- Iowa ranks 34th in the nation with 3,176 crimes per 100,000 population.
- Iowa had 285 state prisoners per 100,000 population, ranking 39th nationally.
  - The median age for inmates is 33 years old.
  - Men are 92.0% of the inmate population.
  - 71.0% of the inmate population is white, 22.1% is African-American, 4.4% is Hispanic, and 2.5% is other minorities.
- Iowa has a civilian labor force of 1.5 million persons. Women comprise 47.0% of the work force.
- Iowa ranks fourth highest in the nation for home ownership with 73.8% owner-occupied homes.
- Iowa has the lowest auto insurance rates in the nation.



**IOWA'S POPULATION (Contd.)****2003 NON-FARM EMPLOYMENT**

Construction	4.5%
Education and Health	13.2%
Financial	6.6%
Government	17.0%
Information	2.3%
Leisure and Hospitality	8.7%
Manufacturing	15.3%
Natural Resources and Mining	0.1%
Other Services	3.9%
Professional and Business Serv.	7.3%
Trade, Transportation, and Utilities	21.1%





**Legislative Services Agency  
Fiscal Services Division  
Capitol Complex  
Des Moines, IA 50319  
(515) 281-5279  
FAX (515) 281-8027  
<http://staffweb.legis.state.ia.us/lfb>**